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# UN Development Decade

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RECORDS MANAGEMENT SECTION February 1969

INTERNATIONAL DEVELOPMENT
ASSOCIATION

# OFFICE MEMORANDUM

TO: Files

DATE: December 19, 1968

INTERNATIONAL FINANCE

CORPORATION

FROM: Federico Consolo

SUBJECT: Second Development Decade: Preparatory Committee

- 1. In its consideration of the item "Second Development Decade", the Second Committee of the General Assembly had before it a recommendation of the Economic and Social Council to enlarge its Economic Committee and set it up as a Preparatory Committee for the Second Development Decade which would, inter alia, prepare "a draft of an international development strategy for the 1970's".
- 2. ECOSOC has a membership of 27: it was proposed that its Economic Committee would be enlarged to 54 with the addition of 27 "States Members of the U.N. and members of the Specialized Agencies and the International Atomic Energy Agency". This enlarged committee would be known as the Preparatory Committee.
- 3. Following the pattern set by it in the case of "membership of UNCTAD" (S. Africa) the Socialist Group, in the Second Committee, introduced an amendment limiting the membership of the Preparatory Committee to "States Members of the U.N.", thus excluding the candidature of the Federal Republic of Germany. This amendment was rejected by 54 votes to 14, with 30 abstentions.
- 4. When the resolution was considered in Plenary, on December 17, the U.S.S.R. made a final but unsuccessful attempt to exclude the Federal Republic of Germany in a very violent statement against that country: it was described as a staunch ally of South Africa (thereby trying to rally the African States). The Soviet delegate ended his statement by saying that should the Federal Republic of Germany be elected to the Preparatory Committee for the Second Development Decade, the U.S.S.R. would review its position on its participation in the work of the Preparatory Committee (the U.S.S.R. is a member of ECOSOC).
- 5. Attached is the report of the Second Committee: the resolution on paragraph 12 was adopted in Plenary on December 17 by 97 votes against 9 with 1 abstention.
- 6. It will be interesting to see how a committee of 54 will be able to carry out the assignments given to it in paragraphs 1, 2 and 3 of the resolution.

Encls.

cc: Messrs. McNamara
Demuth
Friedman
Hoffman
Kamarck



# UNITED NATIONS GENERAL ASSEMBLY



Distr. GENERAL

A/7345/Add.1 14 December 1968

ORIGINAL: ENGLISH

Twenty-third session Agenda item 37

### UNITED NATIONS DEVELOPMENT DECADE

Report of the Second Committee (part II)

Rapporteur: Mr. K.K. CHRISTIANSEN (Norway)

- 1. At its 1676th plenary meeting, on 27 September 1968, the General Assembly allocated to the Second Committee agenda item 37 entitled "United Nations Development Decade: report of the Secretary-General". The Second Committee has already reported on one aspect of its consideration of the item, namely, its decision that the Chairman of the Committee should invite the Presidents of the African Development Bank, the Asian Development Bank and the Inter-American Development Bank, or their representatives, to be present on 12 December 1968 to participate in the Committee's discussion of the item; and that the President of the European Investment Bank should be informed by the Chairman of the Committee's decision and of its desire to have his participation, or that of his representative, in these discussions. The Second Committee intends to report further on this matter.
- 2. The Second Committee began its consideration of item 37 at its 1180th meeting, on 4 October 1968, when it heard an introductory statement by the Under-Secretary-General for Economic and Social Affairs. The item was considered in conjunction with general statements made in the Committee at its 1183rd to 1191st meetings, held between 8 and 15 October 1968. The Committee resumed its consideration of the item at its 1219th, 1220th, 1222nd, 1223rd, 1240th, 1242nd and 1243rd meetings, held between 12 November and 9 December 1968.

<sup>1/</sup> A/C.2/L.1002.

- 3. When considering the item, the Committee had before it a note by the Secretary-General (A/7251 and Corr.1), a survey by the Secretary-General (E/4496), a preliminary framework of international development strategy (E/AC.54/L.25, L.28, L.29/Rev.1, L.30 and L.31), the relevant chapter of the report of the Economic and Social Council to the General Assembly at its twenty-third session and a report by the Secretary-General of the United Nations Conference on Trade and Development (TD/186 and Corr.1).
- 4. At the 1240th meeting, the representative of Pakistan, on behalf of the delegations of Afghanistan, Algeria, Argentina, Australia, Austria, Barbados, Belgium, Cameroon, Canada, Ceylon, Chad, Chile, Colombia, Cyprus, Dahomey, Denmark, Ecuador, El Salvador, Finland, France, Ghana, Greece, Guatemala, Guinea, Guyana, Haiti, India, Indonesia, Iran, Iraq, Italy, Ivory Coast, Jamaica, Japan, Jordan, Kenya, Kuwait, Lebanon, Lesotho, Liberia, Madagascar, Malaysia, Mali, Mauritania, Mauritius, Mexico, Morocco, Nepal, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Southern Yemen, Sudan, Sweden, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia and Zambia, introduced a draft resolution (A/C.2/L.1028 and Add.1), which read as follows:

# "International development strategy

"The General Assembly,

Recalling its resolution 2218 B (XXI) of 19 December 1966 which envisaged the elaboration of an international development strategy for the 1970s,

Recalling further its resolution 2305 (XXII) of 13 December 1967 wherein it decided to consider at its twenty-third session the appropriate procedures to be followed for proclaiming the 1970s as a second United Nations Development Decade and for approving a programme of action within the framework of international development strategy for that Decade,

Taking note of Economic and Social Council resolution 1356 (XLV) of 2 August 1968 on the United Nations Development Decade,

<sup>2/</sup> Official Records of the General Assembly, Twenty-third Session, Supplement No. 3 (A/7203), chapter III.

Taking note of Trade and Development Board resolution 47 (VII) of 21 September 1968, which, inter alia, reaffirmed the important role that the United Nations Conference on Trade and Development had to play within its competence in the combination of efforts within the United Nations family for the preparation of the second Development Decade,

Recognizing that the formulation of an international development strategy for the next Development Decade calls for a major co-operative effort and co-ordinated action on the part of the United Nations system of organizations under inter-governmental guidance,

Noting with satisfaction the preparatory work undertaken by the Secretary-General in consultation with the Committee for Development Planning and the organizations in the United Nations system in pursuance of General Assembly resolutions 2218 B (XXI) and 2305 (XXII),

Recognizing that the primary responsibility for the economic development of developing countries rests on them, and also that a fuller mobilization and more effective utilization of domestic resources of these countries is possible only with concomitant and effective international action,

Recognizing further that the hope and confidence with which the task of the next Decade can be approached will depend, to a considerable extent, on the achievements during the transitional period before the commencement of the next Decade,

- 1. Requests the Economic and Social Council to enlarge its Economic Committee by \_\_\_\_ States Members of the United Nations and members of the specialized agencies and of the International Atomic Energy Agency to be designated annually, until the completion of the preparatory work, by the President of the General Assembly, keeping in view the composition of the Economic and Social Council, equitable geographical distribution and the need to ensure the maximum degree of continuity;
- 2. Decides that the enlarged Committee shall be the Preparatory Committee for the next Development Decade and to this end shall be responsible to the General Assembly and report to it, through the Economic and Social Council, in conformity with the Council's responsibilities for co-ordination under the Charter of the United Nations;
  - 3. Instructs the Preparatory Committee to:
- (a) prepare, on the basis of the relevant studies, conclusions and proposals formulated, within their respective fields of competence, by the bodies and organizations in the United Nations system and taking into account the comments made by Member Governments, a draft of an international development strategy for the 1970s, which would enunciate, within a comprehensive, coherent and integrated framework, the goals and

objectives, both general and sectoral, as well as concerted policy measures at the national, regional and international levels, to realize these goals and objectives;

- (b) make suggestions on evaluation and implementation mechanism for the next Decade;
- 4. Requests the Secretary-General, in order to assist the Preparatory Committee in the fulfilment of its task, to utilize the expertise available in, and the preparatory work already accomplished by, the Department of Economic and Social Affairs and the secretariat of the United Nations Conference on Trade and Development, to convene the meetings of the Committee for Development Planning as often as necessary to expedite the work of the Preparatory Committee and to submit such views and contributions as he may deem appropriate;
- 5. Requests the Trade and Development Board of the United Nations Conference on Trade and Development to continue its efforts to reach the maximum degree of agreement on issues which were remitted to it by the second session of the Conference and which are of basic importance for the elaboration of the international development strategy for the 1970s;
- 6. Requests the United Nations Industrial Development Organization and other organizations in the United Nations system to accelerate their preparatory work for the next Development Decade and bring their sectoral plans into phase with the Decade;
- 7. Requests the Committee for Programme and Co-ordination to assist the Preparatory Committee in the performance of its task as appropriate;
- 8. Requests the Preparatory Committee to establish its programme of work and calendar of meetings in such a manner as to be able to submit to the twenty-fourth session, through the forty-seventh session of the Economic and Social Council, a preliminary draft of an international development strategy, as envisaged in paragraph 3 (a) above, with a view to finalizing the draft early in 1970;
- 9. Further requests the Preparatory Committee to communicate its programme of work and calendar of meetings to Governments and all concerned organizations in the United Nations system to facilitate their contribution, in time, to the formulation of an international development strategy;
- 10. <u>Decides</u> that the meetings of the Preparatory Committee shall be held, as appropriate, in New York and Geneva;
- 11. Stresses the need for developing countries to intensify their efforts for accelerating their economic and social development and the need for the developed countries to supplement their efforts by concomitant measures to realize the development objective common to the world community as a whole;

- 12. <u>Invites</u> Member Governments to contribute effectively, through appropriate national and international bodies, to the preparatory work for the next Decade and to communicate to the Secretary-General, for submission to the Preparatory Committee, any views they may have on the formulation of the preliminary draft of an international development strategy;
- 13. Endorses Economic and Social Council resolution 1357 (XLV) of 2 August 1968 on the mobilization of public opinion in developed and developing countries regarding the United Nations Development Decade;
- 14. Welcomes the contributions which the various inter-governmental organizations not within the United Nations system can bring to the preparation of the second United Nations Development Decade."
- 5. Burundi joined as a sponsor of the draft resolution (A/C.2/L.1028/Add.2).
- 6. At the 1242nd meeting, the Committee had before it amendments to the draft resolution proposed by the delegations of the <u>Byelorussian Soviet Socialist</u>

  Republic, <u>Bulgaria</u>, <u>Czechoslovakia</u>, <u>Hungary</u>, <u>Poland</u>, <u>Romania</u>, the <u>Ukrainian Soviet</u>

  <u>Socialist Republic</u> and the <u>Union of Soviet Socialist Republics</u> (A/C.2/L.1036). The amendments were as follows:
  - (a) The first part of operative paragraph 1 would be reworded to read:
  - "Requests the Economic and Social Council to add to its Economic Committee States Members of the United Nations to be designated annually ...";
  - (b) The first part of operative paragraph 2 would be reworded to read:
  - "Decides that the Committee thus formed shall act as the <u>ad hoc</u> Preparatory Committee...".
- 7. The draft resolution was orally revised by the sponsors, as follows:
  - (a) The first part of operative paragraph 1 was revised to read:
  - "1. Requests the Economic and Social Council to enlarge its Economic Committee by twenty-seven States Members of the United Nations and members of the specialized agencies and of the International Atomic Energy Agency to be designated annually ...";
  - (b) The first part of operative paragraph 6 was revised to read:
  - "6. Requests the United Nations Industrial Development Organization, the United Nations Development Programme, the specialized agencies, the International Atomic Energy Agency and other organizations in the United Nations system ...".

- 8. <u>Singapore</u> and <u>Spain</u> joined as sponsors of the draft resolution (A/C.2/L.1028/Add.3).
- 9. A statement by the Secretary-General on the financial implications of the draft resolution was circulated to the Committee in document A/C.2/L.1042.

  10. The Committee voted on the draft resolution (A/C.2/L.1028), as orally revised, and the amendments thereto, at the 1243rd meeting. The voting was as follows:
- (a) The amendments submitted by the delegations of the Byelorussian Soviet Socialist Republic, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, the Ukrainian Soviet Socialist Republic and the Union of Soviet Socialist Republics (see paragraph 6 above) were rejected by 54 votes to 14, with 30 abstentions;
- (b) Operative paragraph 1, on which a separate vote had been requested by Brazil, was approved by 89 votes to 8, with 1 abstention;
- (c) The draft resolution, as a whole, as orally revised, was approved by 95 votes to 9.
- 11. Statements of delegations in explanation of vote on the draft resolution (A/C.2/L.1028) and on the amendments thereto (A/C.2/L.1036) were made at the 1243rd meeting. 3/

#### RECOMMENDATION OF THE SECOND COMMITTEE

12. The Second Committee therefore recommends to the General Assembly the adoption of the following draft resolution:

# International development strategy

## The General Assembly,

Recalling its resolution 2218 B (XXI) of 19 December 1966, which envisaged the elaboration of an international development strategy for the 1970's,

Recalling further its resolution 2305 (XXII) of 13 December 1967 wherein it decided to consider at its twenty-third session the appropriate procedures to be followed for proclaiming the 1970's as a second United Nations Development Decade and for approving a programme of action within the framework of international development strategy for that Decade,

Taking note of Economic and Social Council resolution 1356 (XLV) of 2 August 1968 on the United Nations Development Decade.

Taking note of Trade and Development Board resolution 47 (VII) of 21 September 1968, which, <u>inter alia</u>, reaffirmed the important role that the

United Nations Conference on Trade and Development had to play within its competence in the combination of efforts within the United Nations family for the preparation of the second United Nations Development Decade,

Recognizing that the formulation of an international development strategy for the next United Nations Development Decade calls for a major co-operative effort and co-ordinated action on the part of the United Nations system of organizations under inter-governmental guidance,

Noting with satisfaction the preparatory work undertaken by the Secretary-General in consultation with the Committee for Development Planning and the organizations in the United Nations system in pursuance of General Assembly resolutions 2218 B (XXI) and 2305 (XXII),

Recognizing that the primary responsibility for the economic development of developing countries rests on them, and also that a fuller mobilization and more effective utilization of domestic resources of these countries is possible only with concomitant and effective international action,

Recognizing further that the hope and confidence with which the task of the next United Nations Development Decade can be approached will depend to a considerable extent on the achievements during the transitional period before the commencement of the next Decade,

- 1. Requests the Economic and Social Council to enlarge its Economic Committee by twenty-seven States Members of the United Nations and members of the specialized agencies and of the International Atomic Energy Agency to be designated annually, until the completion of the preparatory work, by the President of the General Assembly, keeping in view the composition of the Economic and Social Council, equitable geographical distribution and the need to ensure the maximum degree of continuity;
- 2. Decides that the enlarged Economic Committee shall be the Preparatory Committee for the next United Nations Development Decade and to this end shall be responsible to the General Assembly and report to it, through the Economic and Social Council, in conformity with the Council's responsibilities for co-ordination under the Charter of the United Nations;

- 3. Instructs the Preparatory Committee to:
- (a) Prepare, on the basis of the relevant studies, conclusions and proposals formulated within their respective fields of competence by the bodies and organizations in the United Nations system and taking into account the comments made by Governments of Member States a draft of an international development strategy for the 1970's, which would enunciate, within a comprehensive, coherent and integrated framework, the goals and objectives, both general and sectoral, as well as concerted policy measures at the national, regional and international levels, to realize these goals and objectives;
- (b) Make suggestions on evaluation and implementation mechanism for the next Decade;
- 4. Requests the Secretary-General, in order to assist the Preparatory Committee in the fulfilment of its task, to utilize the expertise available in, and the preparatory work already accomplished by, the Department of Economic and Social Affairs and the secretariat of the United Nations Conference on Trade and Development, to convene the meetings of the Committee for Development Planning as often as necessary to expedite the work of the Preparatory Committee and to submit such views and contributions as he may deem appropriate;
- 5. Requests the Trade and Development Board of the United Nations Conference on Trade and Development to continue its efforts to reach the maximum degree of agreement on issues which were remitted to it by the Conference at its second session and which are of basic importance for the elaboration of the international development strategy for the 1970's;
- 6. Requests the United Nations Industrial Development Organization, the United Nations Development Programme, the specialized agencies, the International Atomic Energy Agency and other organizations in the United Nations system to accelerate their preparatory work for the next United Nations Development Decade and bring their sectoral plans into phase with the Decade;
- 7. Requests the Committee for Programme and Co-ordination to assist the Preparatory Committee in the performance of its task, as appropriate;
- 8. Requests the Preparatory Committee to establish its programme of work and calendar of meetings in such a manner as to be able to submit to the twenty-fourth session, through the forty-seventh session of the Economic and Social Council, a preliminary draft of an international development strategy, as envisaged in paragraph 3 (a) above, with a view to finalizing the draft early in 1970;

/...

- 9. <u>Further requests</u> the Preparatory Committee to communicate its programme of work and calendar of meetings to Governments and all concerned organizations in the United Nations system to facilitate their contribution, in time, to the formulation of an international development strategy;
- 10. <u>Decides</u> that the meetings of the Preparatory Committee shall be held, as appropriate, in New York and Geneva;
- 11. Stresses the need for developing countries to intensify their efforts to accelerate their economic and social development and the need for the developed countries to supplement their efforts by concomitant measures aimed at realizing the development objective common to the world community as a whole;
- 12. <u>Invites</u> Member Governments to contribute effectively, through appropriate national and international bodies, to the preparatory work for the next United Nations Development Decade and to communicate to the Secretary-General, for submission to the Preparatory Committee, any views they may have on the formulation of the preliminary draft of an international development strategy;
- 13. Endorses Economic and Social Council resolution 1357 (XLV) of 2 August 1968 on the mobilization of public opinion in developed and developing countries regarding the United Nations Development Decade;
- 14. <u>Welcomes</u> the contributions which the various inter-governmental organizations not within the United Nations system can bring to the preparation of the second United Nations Development Decade.

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### UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

OFFICE OF THE SECRETARY-GENERAL OF THE CONFERENCE

REF. NO.

27 November 1968

Dear Mr. Hoffman,

Before leaving for Santiago last night, Dr. Prebisch asked me to formally acknowledge receipt of your letter dated 31 October 1968.

Dr. Prebisch was most grateful that you sent him a copy of Mr. McNamara's letter to Mr. de Seynes and the paper setting forth the World Bank's views on various issues relating to the Second United Nations Development Decade.

Yours sincerely,

Diego Cordovez

Special Assistant to the Secretary-General of UNCTAD

Mr. Michael L. Hoffman
Associate Director
Development Services Department
International Bank for Reconstruction and
Development
1818 H. Street, N.W.
Washington, D. C. 20433

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SHOUTONE MAN

From

Omprakash Talwar Secretary

Secretary
ACC Sub-Committee on the United Nations Development Decade

NN. 26/68

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CO-ORDINATION/R.713 26 November 1968

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ADMINISTRATIVE COMMITTEE ON CO-ORDINATION Forty-seventh session 28-29 April 1968

PREPARATORY COMMITTEE Sixty-first session 8-18 April 1968

SUB-COMMITTEE ON THE UNITED NATIONS DEVELOPMENT DECADE

# FIFTH REPORT

- 1. The Sub-Committee on the United Nations Development
  Decade met at United Nations Headquarters in New York from
  18 to 20 November 1968 under the chairmanship of
  Mr. Philippe de Seynes, Under-Secretary-General for Economic
  and Social Affairs. The names of the representatives of
  organizations participating in the meeting are listed in
  the annex to this report.
- 2. In accordance with the decision taken by the Preparatory Committee of ACC at its sixtieth session, held in October 1968 (CO-ORDINATION/R.710), the Sub-Committee had a wide-ranging discussion on the preparatory work for a second United Nations Development Decade. The discussion consisted of three main strands. First, the Sub-Committee had a general exchange of views on international development strategy for the 1970's. Secondly, it discussed the nature of the report on the second Development Decade to be submitted by the Secretary-General of the United Nations to the General Assembly and the Economic and Social Council in accordance with Assembly resolutions 2218 B (XXI) and

CO-ORDINATION/R.713 English Page 2

2305 (XXII) and Council resolutions 1260 (XLIII) and 1356 (XLV). In this connexion, the Sub-Committee had before it a draft paper prepared by the Centre for Development Planning, Projections and Policies of the United Nations Secretariat setting forth some ideas on the broad format and substantive content of the material to be assembled for the report. The discussion gave particular attention to the information expected from organizations of the United Nations system for which a questionnaire had been sent to them by the United Nations Secretariat in July 1968. Thirdly, the Sub-Committee reviewed the time-table of work in the next few months as far as it could be envisaged at the present stage. The following sections contain a summary of the consensus reached by the Sub-Committee.

- A. General exchange of views on international development strategy for the 1970's
- 3. The formulation of international development strategy for the coming decade poses a number of problems whose implications have to be taken into account in carrying out the preparatory work for the second United Nations Development Decade.
- 4. One problem is related to the question of bridging the gap between the framework of international development strategy and the national approaches to development. In essence, economic and social development is a national task for which developing countries themselves have to make wide-ranging efforts. Indeed, a second United Nations Development Decade will be devoid of meaning if Governments of developing countries do not make earnest efforts to formulate and implement development plans efficiently. However, it is now generally recognized that a broad perspective drawn up internationally is an important aid to

policy-making. Such a perspective would help to influence the policies of both the developing countries, whose economic and social progress is the basic objective, and the developed countries, which bear the major responsibility for improving the international environment within which developing countries could plan their economic and social development. The international strategy might be aimed not only at helping Governments but also at influencing the ideas of the general public, especially those most closely involved in decision-making in the economic and social field.

5. It would naturally be preferable if the international development strategy could be formulated on the basis of objectives and tasks spelled out in national development plans. This will indeed be the guiding principle of action to the full extent that it can be applied. There are, however, limitations of time. Moreover, few Governments have as yet elaborated development plans for the coming decade. Therefore, the United Nations system has to take an initiative in this matter. Over the years international organizations have accumulated a great deal of information and experience concerning development problems which should help to design an appropriate programme of international action for the coming decade. It is also reasonable to expect the United Nations system to provide, through a general over-all perspective for the next decade, impetus to action by countries themselves. Such a perspective should, wherever possible, be based on a synthesis of information already available within organizations of the United Nations system concerning the needs, resources and objectives of individual developing countries. Later, as more information becomes available during the 1970's from individual Governments, appropriate modifications in the

CO-ORDINATION/R.713
English
Page 4

programme of action could be suggested. For this purpose, it is important to invite Governments to prepare their own development strategy for the coming decade as early as possible.

6. Another problem relates to the question of quantification of objectives for the coming decade and of certain related measures required to achieve the objectives. It is important to quantify as far as possible the tasks that need to be undertaken during the decade. This would help to provide an operational content to the work and also a frame of reference against which progress could be measured. However, it must also be recognized that not all aspects of the Development Decade would be amenable to quantification. Many essential elements of development - including particularly those of a social and institutional nature - can often be considered only in qualitative terms. In this sense, it would be necessary to keep in view both quantitative and qualitative aspects. In order to facilitate the work on quantitative aspects, the organizations actively engaged in making projections for the world economy would meet to co-ordinate, through mutual consultation, the basic assumptions or premises underlying their estimates for major economic variables. It would be desirable to follow a selective approach 7. in formulating an international development strategy for the 1970's. The strategy should concentrate on the critical areas for economic and social development, and it should offer forthright solutions to the basic problems. The key elements of the strategy, moreover, should fit together in a coherent manner. The question of presentation of this strategy would raise some problems. The great diversity of conditions among the developing countries cannot be ignored and problems may arise in presenting both geographical and functional analyses and programmes. Such difficulties will call for a certain degree of selectivity in the international approach.

Arrangements would be needed, as an integral element of the international development strategy, for reporting, evaluating and reviewing the progress towards the objectives of the next Development Decade, in order to keep under continuing scrutiny the objectives of the Decade and to suggest, in the course of time, modifications in them if changing circumstances so require it. Also needed would be a continuing assessment of performance at national, regional and international levels in the devising of appropriate means for achieving the objectives. It is not yet possible to say what form such arrangements should take and how best the existing facilities available in the United Nations system could be utilized. This subject could not be discussed in detail at the present meeting; therefore, it might appropriately be put on the agenda of a future meeting of the Sub-Committee.

# B. Nature of the Secretary-General's report on the second United Nations Development Decade

9. The Secretary-General's report on the second
Development Decade should be an integrated document. The
underlying premise should be that the problem of
development has to be viewed as a single entity. It should,
therefore, present a synthesis of the most essential
elements involved.

10. The report should aim at having an impact on policymakers and on the public that help to shape the decisionmaking process. It should, therefore, be a compact
document. The focus throughout should be on presenting a
set of convergent national and multilateral policies and
actions with a view to undertaking them in a systematic
manner.

11. As the Secretary-General's report should not be a lengthy document, it could not possibly include a great deal of detail on individual aspects of the Development Decade. It would be better not to prepare, at least in the first half of 1969, companion papers containing such detail, and the question of the desirability of having companion papers at a later stage might be left open for the time being. The information to be supplied by organizations in response to the questionnaire sent by the United Nations Secretariat should provide a basis for indicating the key elements of international development strategy in the report of the Secretary-General for 1969. 12. Organizations would receive the draft of the Secretary-General's report on the second Development Decade in time to enable them to prepare their comments on it. The Sub-Committee would meet, as required, to review the draft report. In presenting their comments and views, organizations would aim to be as constructive as possible.

# C. Time-table of work

regarding meetings of an inter-governmental preparatory committee for the second Development Decade. The Economic and Social Council, in its resolution 1356 (XLV), instructed its Economic Committee to meet intersessionally as often as necessary to assist in carrying out the preparatory work for the second Development Decade. It appears that the General Assembly will take a decision at its current session which will affect the composition of an inter-governmental committee entrusted with this task. This inter-governmental committee will probably meet in December 1968 or early in 1969 to organize its work and its time-table. Assuming that it would wish to hold its first

CO-ORDINATION/R.713 English Page 7

substantive discussion about the middle of April 1969, the ACC Sub-Committee on the United Nations Development Decade might meet in the third week of March, and the Sub-Committee's meeting might be followed immediately by a session of the Committee for Development Planning. Firm indications, however, can be provided only after the General Assembly arrives at a decision on inter-governmental machinery in December 1968.

14. As the time available for preparing a semi-processed draft on international development strategy for the consideration of the inter-governmental committee in April 1969 is quite short, it is extremely important that the replies of organizations should reach the United Nations Secretariat as early as possible before the deadline 2 January 1969.

CO-ORDINATION/R.713 English Annex Page 1

#### ANNEX

#### LIST OF PARTICIPANTS

(השתידותון	NATIONS
OMITTED	TATTOTAD

Mr. Philippe de Seynes (Chairman of the Sub-Committee)

Mr. Jacob L. Mosak

Mr. Omprakash Talwar (Secretary of the Sub-Committee)

ECONOMIC COMMISSION FOR AFRICA

Mr. A.L. Mullier

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT Mr. Raúl Prebisch Mr. Sidney Dell

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Mr. A.J. Aizenstat

INTERNATIONAL LABOUR ORGANISATION

Mr. N.N. Franklin Mr. R.F. Jonker

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS Mr. W.H. Pawley

UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION

Mr. A. de Silva Mr. H. Ben-Amor

WORLD HEALTH ORGANIZATION

Sir John Charles

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT Mr. Michael L. Hoffman

INTERNATIONAL MONETARY FUND

Mr. Gordon Williams Mr. Michael Dakolias

UNIVERSAL POSTAL UNION

Mr. Dean A. Murville

WORLD METEOROLOGICAL ORGANIZATION

Mr. N.L. Veranneman

CO-ORDINATION/R.713 English Annex Page 2

INTER-GOVERNMEN	TAL	MARIT	IME
CONSULTATIVE	ORGA	ANIZAT	MOI

Mr. V. Nadeinski

INTERNATIONAL ATOMIC ENERGY AGENCY

Mr. G. Delcoigne

UNITED NATIONS DEVELOPMENT PROGRAMME

Mr. David Feldman Mr. Michael Geoghegan

UNITED NATIONS CHILDREN'S FUND

Mr. Sherwood G. Moe

UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH

Mr. Alexander Szalai Mr. Offia Nwali

WORLD FOOD PROGRAMME

Mr. Vittorio Marrama

November 26, 1968

Dear Max:

I enclose a copy of the statement we submitted to the U.N. on the Second Development Decade. I would welcome any comments, but please feel under no obligation.

It was nice to see you. The A.D. Little operation is quite impressive on the whole.

Sincerely,

Encl.

Michael L. Hoffman Associate Director Development Services Department

Mr. Max Miliken Massachusetts Institute of Technology 50 Memorial Drive Cambridge, Massachusetts, 02114

mys

MLH:mmcd

Mr. Richard H. Demuth

November 26, 1968

Michael L. Hoffman

Notes on Meeting of ACC Sub-Committee on DD 2, New York, November 18-20, 1968

- 1. Our "alternative strategy" proposals set the framework for the discussion of the many issues. De Seynes opened with a very good statement emphasizing 5 points:
  - a) It is essential that governments be involved in setting targets and goals as the Bank proposed (he later emphasized even more strongly his conviction that governments will grow increasingly resentful of any indications that "we" i.e., the international bureaucracy are presuming to tell them what their development objectives should be).
  - b) Relatively few governments are in a position to do this and therefore
    - i) we must be prepared to increase greatly our technical assistance to help in this task; and
    - ii) in the interim it is necessary to produce what can be done by way of projections and setting of "norms" at the Center.
  - c) There is need for continuing machinery to revise and adjust targets he used the French term "surveillance" to describe the process he had in mind. He pleaded for avoiding a "juridical" approach.
  - d) There is a terribly important public relations job to be done.
- 2. While all the agencies expressed support for the idea of having governments set their own targets, de Seynes and Mosak are convinced that some kind of a "content" paper has to go to governments next year and that this can only be a synthesis prepared at the Center with what help it can get from the agencies, especially in the replies to the questionnaires, due by January 2. Most of the discussion consisted of a not entirely successful effort to get Mosak to state clearly what this synthesis would include. I have subsequently seen the draft report that is supposed to reflect our discussions, which was circulated and discussed after I left the U.N. and I am not sure that even now anyone, except perhaps Mosak, knows precisely what they have in mind (copy attached).

Sometimes he seems to be talking of a synthesis accompanied by separate reports from each agency. At other times he was talking about a very short paper setting a few "norms" (as distinct from targets). The draft report seems to have come down on the whole in favour of the second of these alternatives. A "norm" in the new terminology is a bench mark like protein intake or a number of farmers served by one extension agent - against which to record changes, not something that every country is expected to achieve. Norms are for the U.N. and the agencies; targets are for governments - at least I think that is what they are saying.

- 3. I suggested that even in 1969, whatever paper is presented could recommend General Assembly action that would in some way embody our approach so governments could begin right away on their homework. I also stated that I thought that for 20 or 25 countries in which we operate on a substantial scale it ought not to be difficult to produce a set of DD 2 targets, priorities and also objectives by 1971, if governments agreed to take this approach. I think de Seynes intends to consider this suggestion very seriously.
- 4. de Seynes obviously suspects, and I think he may be right, that to an increasing extent, especially through the Enlarged Economic Committee of ECOSOC (perhaps to be renamed "Preparatory Commission for DD 2), governments are going to take the question of strategy and content out of the hands of the Secretariat and the agencies. But this does not relieve hum of his responsibilities for coming up with something by way of proposals.
- Prebisch attended most of the discussion and was very good. of us knew that it was his swan song. Sidney Dell was sound on most They kept insisting that in the "synthesis" the U.N. ought to confine quantification of norms or targets to a growth rate and the 1% ODP aid target and leave the rest to "the Bank's proposal." Prebisch made an excellent statement on the growing evil of proliferation of contradictory projections of the same magnitudes by different agencies and international groups. He cited five current sets of projections for Latin American exports which apparently differ widely. He said that if we were not careful governments would cease to have confidence in any of our technical work. I intervened to say that the Bank was very conscious of this danger; that we had a long experience of the difficulties of reconciling projections, even between us and the Fund; that if any progress were to be made the matter could not be left to squabbling statisticians but to be given serious attention by senior personnel because it is not simple; and finally that if any agency found that the Bank was putting into circulation projections that were offensive to that agency in a field of its competence, we would like to know about it, because although we already devote considerable efforts to coordinating with others, we might still be guilty of overlooking something.

- One thing that struck me is the extent to which some of the agencies have advanced towards producing sets of norms, targets, and even priorities in their sectors of responsibility for most of their These are all being discussed back and forth with member countries. governments and revised and kept up-to-date. They are not all on the same time scale and not all on the same time scale as DD 2. ahead to 1985, ILO to 1975, etc. But there will soon be a mass of material to serve as the basis for country targets, guidelines, policy priorities, etc., for several important sectors and for a great many FAO, through its indicative plan, will have gone through an elaborate process of projections, analyses and discussions with governments by the middle of 1970. ILO is doing something similar on employment problems, first in Latin America and new starting in Asia. Sir John Charles said that the WHO already has a pretty good knowledge of priorities in the health field country by country and regionally. It has begun working out comprehensive national health plans and has already done five countries in Africa. It was interesting that he stressed the sharp differences that emerge from country to country, even between countries in Francophone Africa for instance.
- 7. Another point that is emerging more clearly is that the question of the "surveillance machinery" cannot really be put off until after the "content" of DD 2 is fixed. What kind of content goes in must to some extent depend on what kind of surveillance machinery is agreed upon. I noted that our proposed strategy clearly implied some kind of review and evaluation procedure. I also confessed that we were quite aware that we had failed to face this issue squarely in the paper we had submitted. I said that we were going to give it more thought and see whether we could make any proposals. de Seynes warmly welcomed this statement. He is very concerned about all this, as it is related to the delicate issue of "bureaucrats" passing judgment on government performances.
- 8. At the beginning of the meeting Mosak distributed an undated paper, presumably emanating from the Centre for Development Planning, that created great confusion. It was called a draft outline of organization and content and it seemed to call for an extensive new exercise by the agencies to prepare a new set of papers. Mosak denied any such intention, but as of the time I left the discussion it was not at all clear what he did expect. I presume the draft report (attached) is intended to supersede that paper except insofar as it is incorporated by reference. A copy of the longer paper is available in my office.
- 9. The following points, it seems to me, need to be given more consideration in the Bank:
  - a) For how many countries do we believe will have something that could reasonably be presented as a 4 to 5 year investment program by 1971?

- b) For how many countries would we be prepared to act as adviser on their DD 2 projections and policy packages if the General Assembly decided to adopt our strategy?
- c) Assuming our strategy were adopted and that, say, 25 to 30 countries at least made serious efforts to implement it, could we readily build into our economic reports, in addition to our usual evaluation of performance, an evaluation of performance with respect to whatever DD 2 targets the country may have chosen? (Answering my own question on this one, it seems to me that this ought to be fairly easy and that we ought to be prepared to do it.)
- d) Prebisch's point about the danger of multiple projections is a very good one and I think we may have to do more co-ordinating in this field. Perhaps I underestimate the extent to which we are already doing it.
- e) I have promised de Seynes that we will do some hard thinking about the question of "surveillance."

cc: Mr. Friedman

Mr. Consolo

Mr. Kamarck

Mr. de Vries

MLH:mmcd

20 November 1968

# ADMINISTRATIVE COMMITTEE ON CO-ORDINATION

# SUB-COMMITTEE ON THE UNITED NATIONS DEVELOPMENT DECADED DRAFT REPORT

- 1. The Sub-Committee on the United Nations Development Decade most at United Nations Headquarters in New York from 18 to 20 November 1968 under the chalumanship of Mr. Philippe de Seynes, Under-Secretary-General for Economic and Social Affairs. The names of the representatives of organizations participating in the maeting are listed in the camer to this report.
- Committee at its sixtleth session, held in October 1968 (CO-CHONNATION/R.710), the Sub-Committee had a wide-ranging discussion on the preparatory work for a second United Nations Development Decade. The discussion consists of three main strands. First, the Sub-Committee had a general exchange of views on international development strategy for the mineteen seventies. Secondly, it discussed the nature of the report on the second Development Decade to be submitted by the Secretary-General of the United Nations to the General Assembly and the Economic and Social Council. In this committee, the Sub-Counciltee had before it a Graft paper prepared by the Centre for Development Planning, Projections and Policies of the United Nations Secretardat setting forth some ideas on the breed format and substantive content of the material to be assembled for the report. The discussion

<sup>\*</sup> to be prepared

gave particular attention to the information expected from organizations of the United Nations system for which a questionnaire had been sent to them by the United Nations Secretariat in July 1968. Thirdly, the Sub-Committee reviewed the time-table of work in the next few months as far as it could be envisaged at the present stage. The following sections contain a summary of the consensus reached by the Sub-Committee.

- A. General exchange of views on international development strategy for the mireteen seventies
- 3. The formulation of international development strategy for the coming decade poses a number of apparent dilemmas whose implications have to be taken into account in carrying out the preparatory work for the account United Nations Development Decade.
- to the apparent dilemma is related to the question of bridging the gap between the framework of international development strategy and the national approaches to development. In essence, economic and social development is a national teak for which developing countries themselves have to make wide-ranging offerts. Indeed, a second United National Development Decade will be devoid of meaning if Governments of developing countries do not make carment effects to formulate and implement development plans efficiently. However, it is now generally recognized that a broad perspective drawn up internationally is an important aid to policy-making. Such a perspective would help to influence the policies of both the developing countries, whose economic and social progress is the basic objective, and the developed countries, which hear the major responsibility for improving the international environment within which developing countries

could plan their economic and social development. The international strategy might be aimed not only at helping governments but also at influencing the ideas of the general public, especially those most closely involved in decision-making in the economic and social field.

- 5. It would naturally be preferable if the international development strategy could be formulated on the basis of objectives and tasks opelled out in maticaal development plans. However, given the limitations of time, the United Mations system has to take the initiative in this matter. Over the years international organizations have ascendiated a great deal of information and experience conserming development problems which should help to design an appropriate programme of interretional ection for the coming decade. Obviously, in order to draw up a realistic programme, the grais and policies of countries have to be carefully studied. But it is also reasonable to expect the United Mations system to provide, through a general over-all perspective for the next decade, impetus to action by countries themselves. Inter, as more information becomes available during the mineteen seventies from individual Governments, appropriate modifications in the programme of action could be suggested. For this purpose, it is important to have the Governments involved in the work for the Development Decade as early as possible.
- 6. Another apparent dilema relates to the question of quentification of objectives for the coming decade and of certain related messures required to achieve the objectives. It is important to quantify as far as possible the trake that need to be undertaken during the decade. This would help to provide an operational content to the work and also a frame of reference against which progress could be measured. However, it must also be

recognized that not all espects of the Development Decade would be assemble to quantification. They obsential clements of development - including particularly those of a social and institutional nature - can often be considered only in qualificative terms. In this sense, it would be necessary to keep in view both quantitative and qualifative aspects.

- 7. It would be desirable to follow a selective operach in formulating an intermational evelopment strategy for the ninebean seventies. The strategy should consist of key elements which should fit together in a coherent manner. The question of presentation of this strategy would raise some problems. The great diversity of conditions among the developing countries cannot be ignored and problems may arise in presenting both geographical and functional analyses and programmes. Such difficulties will call for a certain degree of selectivity in the intermational approach.
- B. It would be recessery to devise a medianism of surveillance or magninery for reporting and evaluating the progress towards the objectives of the next Development Decade. Such rachinary would need to be an integral element of the development strategy. It would be designed to keep under continuing scrutiny the objectives of the Decade and to suggest, in the course of time, modifications in them if charging circumstances so require it. The machinary would also provide a continuing tessessment of performance at both national and interrational levels in the deviation of appropriate means for schieving the objectives. It is not yet possible to say what form such a mechanism should take and has been it

could utilize the existing facilities available in the United Nations system. This subject might appropriately be discussed in greater detail at a future meeting of the Sub-Committee.

- B. Nature of the report on the second United Nations Development Decade

  9. The Secretary-General's report on the second Development Decade
  should be an integrated document. The underlying premise should be that
  the problem of development has to be viewed as a single entity. It should,
  therefore, present a synthesis of the most essential elements involved.
- 10. The main purpose of the report should be to have an impact on policy-makers and on the influential people who help to shape the decision-making process. It should, therefore, be a compact document.

  The focus throughout should be on presenting a set of convergent national and multilateral policies and actions with a view to undertaking them in a systematic manner.

11. As the Secretary-General's report should not be a big lengthy document, it could not possibly include a great deal of detail on individual espects of the Development Decade. Details could conceivably be provided in a number of companion papers prepared by the organizations concerned under certain functional headings. However, this approach would have the danger of unascessarily icoding the documentation. On balance, it night be better not to have any companion papers during the first half of 1969 and to leave the question of the desirebility of having such papers at a later stage open for the time being. The information to be supplied by organizations in response to the questionnaire sent by the United Nations Secretarist should provide a basis for indicating the key cleasures of international development strategy in the

the report of the Secretary-General for 1969.

12. A tentative outline and a number of explanatory notes relating to the organization of work for the next Development Decade are to be found on pages 9 and 10 of the Centre's dwaft paper. At the present stage the outline is intended solely to get the work organized; the final shape of the first report could be determined only after the relevant material is put together in some analytical fashion. Fage 9 of the dwaft paper indicates the list of topics intended to be covered in varying detail and emphasis in the report, and the explanatory notes on page 10 of the dwaft paper when y spell out in seasonat greater detail the information required from organizations in those topics in question number 3 in Section II of the questionmairs sent to organizations in July 1968 (Conference room working paper 2/Rev. 1 or E/AC.5h/L.31).

13. The Sub-Committee would neet, as required, to review the draft report of the Secretary-General on the second Development Decade.

# C. Time table of work

14. The timetable of work is contingent on decisions regarding meetings of an inter-governmental preparatory consists for the second Development Decade. The Economic and Social Council, in its resolution 1356 (XLV), instructed its Economic Committee to meet intersessionally as often as necessary to assist in carrying out the proparatory work for the second Development Decade. It appears that the General Assembly will take a

decision at its cuttent session which will affect the corposition of an inter-governmental committee entrusted with this task. This inter-governmental committee will probably meet in December 1968 or carly in 1969 to organize its work and its timetable. Assuming that it would wish to hold its first substantive discussion about the middle of March 1969, the ACC Sub-Committee on the United Nations Development December at the beginning of March, and the Sub-Committee's meeting might be followed insections, however, can be provided only after the Ceneral Assembly arrives at a decision on inter-governmental mechanism in December 1968.

15. As the time evallable for preparing a send-processed draft on international development strategy for the consideration of the interpovernmental committee in Threb 1969 is quite short, it is extremely important that the replies of organizations should reach the United Nations Sucretariat as early as possible before the deadline 2 January 1969.

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RC 3432

INTERNATIONAL FINANCE Dev. Decade

OFFICE MEMORANDUM

TO: Mr. M. Shoaib, Vice President

DATE: November 21, 1968

FROM:

G. S. Kaji

SUBJECT:

Second United Nations Development Decade

The United Nations in preparation for the Second Development Decade scheduled to begin in 1971 has requested the Bank to respond to a series of questions regarding the size, scope and nature of its operations and international capital flows generally during the decade of the 1970's.

The questions posed and a summary of the answers provided by us are given below:

### BASIC QUESTIONS

- Q. 1. In the light of your experience and problems in your area of activity during the present United Nations Development Decade, what are your views on the preliminary sketch of international development strategy for the nineteen seventies?
- A. 1. The preliminary sketch of international development strategy fails to draw a distinction between targets on the one hand and instrumental policies on the other and is based on the premise that a single set of targets and instrumental policies would be desirable and effective in each developing country. A valid approach must recognize the heterogeneity of the developing countries as each country operates within the limitations placed by its economic and social environment.

The Bank's suggested alternative approach would consist of three elements:

- a. Arrive at a set of growth targets for DD II that each developing country would set for itself within specified limits laid down by the UN as feasible for broad categories of countries.
- b. In addition to such growth targets, the developing countries would give details of the policy measures it plans to undertake on a list of subjects for achieving the target set by itself.
- c. Finally, the developing countries would be asked to provide a realistic estimate of the investment program which should tie in with the targets to be achieved and the policy measures to be adopted.

As an essential corollary to the mapping out of development strategy the developed countries should be asked to submit their plans for aid to developing countries as well as policy measures they will adopt from removal of trade restrictions and granting of trade preferences to developing countries.

- Q. 2. What are, in your judgment, the quantitative implications for expansion and policies relating to your area of activity of the minimum terminal target rates of economic growth of 6, 6.5 and 7 percent per annum to be achieved in developing countries by the end of the nineteen seventies?
- Q. 3. What do you think will be an appropriate development strategy for your area of activity relating to different developing regions in the nineteen seventies?
  - (a) What do you consider to be the priorities for your area of activity relating to different developing regions in the nineteen seventies?
  - (b) What target rates of expansion do you consider feasible for your area of activity relating to developing countries, both as a whole and grouped according to geographical regions, in the nineteen seventies? Indicate the justification and the key assumptions underlying your views on the goals for your area of activity.
  - (c) What are the means required for attaining such targets or goals? Summarize in, as far as possible, quantitative terms, the major means required.
- Q. 4. What are the principal elements not only goals and means but also the underlying assumption of the indicative plan or programmes, if already formulated, for your area of activity relating to different developing regions? If possible, send copies of such plans or programmes with your reply, together with relevant statistical data and analyses. If such plans or programmes have not been formulated, what statistical information is available to permit their preparation?

A's to 2, 3 and 4. The three questions raised can be best answered by explaining factors that are likely to determine the size and scope of the Bank's activities during the 1970's.

The size and scope of the Bank's operation can only be defined in the context of a particular country. The Bank's operations are based on the development strategy of each country, arrived at in agreement with the responsible authorities of the country and consistent with the financing methods open to the Bank.

The decisions concerning the volume and distribution of Bank financing so arrived at are operative, within the confines of the following factors:

- a. The Bank not being the only source of finance, its operations are affected by the size and scope of bilateral aid programs, private capital flows and the operations of other development finance institutions, bilateral and multilateral.
- b. The Bank's ability to implement a program of lending in consonance with an agreed development strategy for a country may be limited by that country's capacity to service external debt.
- c. And as a direct consequence of (b), the size and scope of the Bank's operations is subject to constraints imposed by the terms on which resources become available to the Bank Group. Thus, because of a number of developing countries are not in a position to meet the requirements for external finance in Bank loans, limitation in IDA resources may impose serious restraint on the future size and scope of the Bank Group's operations.

It is evident that the forecasts required by the questions would be dependent upon so many variables outside the control of the Bank, whose magnitude themselves cannot be forecast with any measurable degree of confidence, that the results of the exercise could only be stated with large margins of error which would deprive them of any significance.

#### SPECIFIC QUESTIONS

- Q. 1. What do you consider to be the probable increase in net flows of financial resources from developed to developing countries during the nineteen seventies under alternative assumptions with regard to the factors or attitudes that you think are central? How much of that increase do you expect to take place through the IBRD group of institutions?
- A. 1. The probable increase in the net flows of financial resources to developing countries during the '70's and portion of this channelled through Bank depends on a number of not easily predictable variables which makes it futile to attempt to forecast for even a few years ahead.
- Q. 2. What do you consider to be the absorptive capacity of developing countries for an increase in the net flow from developed countries during the coming decade?
- A. 2. The forecast required as to the absorptive capacity of developing countries is again not possible for reasons mentioned earlier. The Bank however believes that a level of net financial transfers consistent with the target of 1% of GDP of developed countries adopted at the UNCTAD conference in Delhi would be well within the absorptive capacity of the developing countries for the period of the Second Development Decade.

- Q. 3. What would be the ways and means of making the transfer of financial resources to developing countries more efficient?
- A. 3. The Bank's views on making transfers of financial resources to developing countries more efficient are treated under five heads:-

### a. Extension of the Scope for International Competitive Bidding

The inability of developing countries to utilize financial assistance efficiently stems from the practice of capital exporting countries of tying financial assistance to procurement in the country offering the assistance. The denial of the right to procure from the most economical sources of supply substantially increases the cost of capital equipment. The cumulative effect of aid-tying is that a given volume of loans and/or grants finances a lesser real transfer of resources and the developing countries get less real development assistance then they might have for the price they pay in the form of debt service.

The Bank has been actively exploring techniques for combining bilateral financing with the practice of international competitive bidding so that while national financing agencies would continue to finance only such orders as are placed in their countries, the suppliers in the country would be qualified as the most suitable source of equipment and services from the point of view of the borrower.

# b. Increased Continuity in Aid Programs

Development is a continuous process and requires planning for a continuous stream of investment in various key sectors. The ability of the developing countries to plan intelligently is hampered by their inability to count on continuance of external financial support for more than a few months ahead. This is due to the fact that the administrators of most bilateral aid programs, which are financed by national budgets, are not in a position to make commitments for them a year ahead.

It is necessary that legislatures of the donor countries be persuaded to recognize the need for continuity in aid flows and extend the authority of aid administrators to make at least tentative and conditional commitments for several years ahead.

# c. Improved Administration for Dealing with External Assistance in Recipient Countries

There is a wide divergence in the ability of the developing countries to efficiently allocate the external assistance available to them, but given the political determination to do so it is possible to obtain technical assistance for purposes of improving aid administration within recipient countries.

The Bank is already engaged in this activity in a number of countries and is prepared to enlarge its activities in this field.

### d. Better Access to Capital Markets

All capital exporting countries restrict access to their markets by foreign borrowers but some governments have accorded a preferential treatment to developing countries. It would seem possible through joint action to extend the scope of this preferential treatment to all creditworthy developing countries.

The developing countries as a group would also benefit from improvement in the markets for the bonds of the World Bank and other multilateral development finance institutions.

Methods of broadening and modernizing capital market machinery especially in Western Europe could significantly facilitate transfers from developed to less developed countries.

### e. More Flexible Aid Policies

Aid Programs suffer from a lack of sufficient flexibility and this reduces the efficiency with which a given amount of development assistance can be employed.

It is necessary that allocation of aid should be based on developmental criteria such as absorptive capacity, economic performance or one or more indices of "need".

- Q. 4. How would you, in the light of the experience gained in the past few years, reappraise the advantages and disadvantages of bilateral and multilateral aid for the parties concerned and the possibility of combining these two forms in order to increase the efficiency of aid?
- A. 4. It is difficult to draw rigid conclusions as to advantages of multilateral vis-a-vis bilateral aid.

In general it can be said that multilateral organizations can pay more regard to strictly developmental criteria and due to their essentially international character are free from national motives that may blur the objectives and effectiveness of bilateral aid.

The international organization can apply a more continuous effort without interruptions arising from national political differences and are more acceptable as advisors to governments because they are not politically tainted.

On the other hand, multilateral organizations have much smaller resources than national agencies and this may make international institutions less innovative and slower in acting in their lending program than otherwise.

Special relationship between countries may also favor bilateral aid programs which based on a long and special knowledge of the recipient country is larger and more effective than a multilateral program.

The need is therefore to combine both bilateral and multilateral aid to exploit their respective advantages and to ensure a continuous growth of both.

- Q. 5. What estimates do you have of the debt-servicing burden of developing countries in the nineteen seventies?
- A. 5. The answer has not yet been formulated.

GSKaji/ts

2 Marsher de plus

INTERNATIONAL LABOUR OFFICE



BUREAU INTERNATIONAL DU TRAVAIL

21 NOV. 1968.

GENEVA

Dear Michael,

This note is to thank you for your letters of 31 October and 4 November regarding the Philippe de Seynes questionnaire on the Second Development Decade. I have read Mr. McNamara's replies with much interest and brought them to the attention of the people here who are working on the subject. As a matter of fact I have been reviewing of late our own strategy for the World Employment Programme which will be officially launched at next year's International Labour Conference, and have concluded that the adoption of growth targets for individual countries is preferable to regional or global target-setting. So you can see that we are favourably disposed to the alternative approach described by Mr. McNamara.

Sincerely,

Care

David A. Morse, Director-General.

Mr. Michael L. Hoffman,
Associate Director,
Development Services Department,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
WASHINGTON, D.C., 20433

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#### CROSS REFERENCE SHEET

COMMUNICATION:

SENIOR STAFF MEETING SSM/M/68-44

DATED:

November 19, 1968

TO:

FROM:

FILED UNDER:

SENIOR STAFF MEETING

SUMMARY:

### THE SECOND DEVELOPMENT DECADE

6. Mr. Demuth reported that an inter-agency meeting was being held under the chairmanship of Mr. Philippe de Seynes to discuss the U.N.'s approach to the Second Development Decade (DD II). Mr. Hoffman was representing the Bank. The Bank's suggestions with respect to DD II, put forward in a staff paper transmitted by Mr. McNamara to Mr. de Seynes on October 30, had been very favorably received, and it seemed possible that many of these suggestions would be adopted as a basis for future activity; if this turned out to be the case, it would probably be necessary for the Bank to do additional work to spell out the implications of its position.

na - Dev. Dee,

# WORLD HEALTH ORGANIZATION

Avenue Appia 1211 GENEVA-SWITZERLAND Telegr.: UNISANTE-Geneva



Tél. 34 60 61 Télex. 22335

# **ORGANISATION MONDIALE** DE LA SANTÉ

Avenue Appia 1211 GENÈVE-SUISSE Télégr.: UNISANTÉ-Genève

Must

In reply please refer to:

N64/372/16

Prière de rappeler la référence:

19 November 1968

Dear Mr Hoffman,

Thank you very much for your letter of 31 October enclosing a copy of the Bank's statement in connection with the Second Development Decade which will, of course, be treated confidentially.

Yours sincerely,

Michael R. Sacks, M.D.

Chief, Programme Co-ordination

Mr Michael L. Hoffman Associate Director Development Services Department International Bank for Reconstruction and Development 1818 H Street, N.W. Washington, D.C. 20433 United States of America

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# WORLD HEALTH ORGANIZATION

# Avenue Appia 1211 GENEVA-SWITZERLAND

Telegr.: UNISANTE-Geneva

In reply please refer to:

Prière de rappeler la référence;



Tél. 346061 Télex. 22335

**ORGANISATION MONDIALE** DE LA SANTÉ Avenue Appia

1211 GENÈVE-SUISSE Télégr.: UNISANTÉ-Genève

19 November 1968

N64/372/16

Dear Mr Hoffman,

Thank you very much for your letter of 31 October enclosing a copy of the Bank's statement in connection with the Second Development Decade which will, of course, be treated confidentially.

Yours sincerely,

Michael R. Sacks, M.D. Chief, Programme Co-ordination

> Mr Michael L. Hoffman Associate Director Development Services Department International Bank for Reconstruction and Development 1818 H Street, N.W. Washington, D.C. 20433 United States of America

TS: I MY SS WON 83EI ENOTTA SPACEMENT

# FORM NO. 75 INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE

INTERNATIONAL DEVELOPMENT

	ROUTING SLIP	Date Novembe	er 19, 1968
	NAME		ROOM NO.
	Mr. Martin		F-1344
	General Files		233
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	To Handle Appropriate Disposition Approval	Note an	d Return
	Appropriate Disposition	Note an	d Return
	Appropriate Disposition Approval	Note an Prepare Per Our	d Return Reply
K	Appropriate Disposition Approval Comment	Note an Prepare Per Our	d Return Reply Conversation

From

F. Consolo

# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

#### INTERNATIONAL DEVELOPMENT ASSOCIATION

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Mr. Wm. Clark	453	Mr. Reitter	578
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E. D. 1.		Mr. Skillings	584
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From: Communications Unit, Room 244, Extension 2023

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14 November 1968

Dear Mr. Consolo,

In the absence of Mr. Wu, I wish to thank you for your letter of 31 October in which you have given us the Bank's views on our draft paper on "Public Administration Problems and Programmes in the Next Development Decade". I regret to inform you that your letter was received only after we had completed our revised paper, a copy of which is herewith enclosed.

You will note, however, that this paper is at present a contribution of material for the Second Development Decade to the Centre for Development Planning, Projections and Policies, which was due by the end of October 1968. As stated in the memorandum of transmittal to Mr. Mosak, it is our intention to convene an interagency meeting early in 1970 to review and revise the paper, after the General Assembly and the ECOSOC have decided on the targets and strategies of the Second Development Decade. Your letter of 31 October will still be useful to us and we thank you for your cooperation.

We hope that it will be possible for the Bank to participate in the proposed meeting and we shall keep you informed of any developments relating to it.

Yours sincerely,

U Shwe Mra

Acting Director

Public Administration Division

Mr. Federico Consolo
Special Representative for United Nations
Organizations
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Development
1818 H Street, N.W.
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PUBLIC ADMINISTRATION PROBLEMS AND PROGRAMMES IN THE NEXT DEVELOPMENT DECADE

Working Paper Prepared by the Public Administration Division

#### MEMORANDUM OF TRANSMITTAL

TO:

Mr. Jacob L. Mosak

Deputy Under-Secretary-General

in Charge of Economic Planning, Projections

and Policies

FROM:

Chi-Yuen W

Public Administration Division

SUBJECT:

Public Administration Problems and Programmes in the

Next Development Decade

According to the time-table outlined by your office, contributions of material for the Second Development Decade from various agencies and offices of the United Nations are due by the end of October 1968. In response to this, we submit herewith five copies of a paper on "Public Administration Problems and Programmes in the Next Development Decade".

31 October 1968

This paper was prepared with the co-operation of the specialized agencies. It is our intention to convene a meeting to review and revise this paper, after the General Assembly and the ECOSOC have decided on the targets and strategies of the Second Development Decade. so that the proposed public administration programmes will fully support the economic and social objectives adopted for the Second Development Decade. Such a meeting gould be held early in 1970, with the participation of all specialized agencies and perhaps also non-governmental organizations concerned, on the assumption that the Second Development Decade would have 1971 as the starting year, The paper, as finalized by such a meeting, will form the basis of the Secretary-General's report to the ECOSOC requested in operational paragraph 2 of ECOSOC resolution 1199 (XLII), in which the Council "decides that public administration should be accorded an appropriate place in planning for the period following the United Nations Development Decade and, to this end, requests the Secretary-General to elaborate more specific objectives and programmes in this field, in close collaboration with the specialized agencies and non-governmental organizations concerned".

cc: Messrs.: Philippe De Seynes, Martin Hill and Victor Hoo, and Miss Julia Henderson;

All specialized agencies

All Directors of Substantive Divisions, ESA

#### PUBLIC ADMINISTRATION PROBLEMS AND PROGRAMMES IN THE NEXT DEVELOPMENT DECADE

Working Paper Prepared by The United Nations Public Administration Division

NOTE:

This paper is the revised version of a note which was prepared by the United Nations Public Administration Division in July 1968. The original note was prepared with the valuable assistance and co-operation of Mr. P. Juvigny, United Nations Consultant, who not only contacted a number of specialized agencies and obtained preliminary materials from them, but also prepared the first draft of the note. The note was circulated in July to the specialized agencies and other substantive offices of the United Nations and the non-governmental organizations mainly concerned in the field of public administration, with a request for comments and additional materials. This version has taken into consideration these comments and additional materials received by the end of September 1968. Eventually, the materials contained in this paper will be used for the preparation of the Secretary-General's Report as requested by ECOSOC in resolution 1199 (XLII), on the objectives and programmes in the field of Administration for the Second Development Decade. At this time, this paper is used as a contribution of material for the Second Development Decade to the Centre for Development Planning, Projections and Policies, which is due by the end of October 1968. It should be noted that this paper does not, and cannot, cover all major public administration problems and programmes in the 1970's. as this can only be done after we have the economic and social development targets and strategies for the next decade. But the paper is not merely a summary of the problems and programmes of the Public Administration Division. Within the limits of the material available an attempt has been made to cover some of the major problems and programmes of the United Nations family of organizations in the field of public administration in the 1970's that can be anticipated by the organizations concerned,

# PUBLIC ADMINISTRATION PROBLEMS AND PROGRAMMES IN THE NEXT DEVELOPMENT DECADE

# Working Paper Prepared by The Public Administration Division

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INTRODUCTION	1
MAJOR REFORMS AND CONSTANT IMPROVEMENTS IN ADMINISTRATION	4
Development Planning and Public Administration	4
Improvement of the Administration of Major Development	8
Postal Administration	9
Administration for Regional (sub-national) and Local Development	11
Administrative Problems of Housing	12
Administration for the Control of Narcotic Drugs	13
SPECIAL ADMINISTRATIVE PROBLEMS IN THE 1970's	14
Major Advances in Science and Technology	15
Educational Change and Administration	16
Administration of Programmes Relating to Population and Family Planning	17
Administration of Agricultural Development and Land Reform . Programmes	17
Participation of the Citizenry in Public Administration	18
Administrative Aspects of Cultural Policies	19
Distinctive Administrative Problems of Small States	20
Administrative Aspects of Regional and Sub-Regional Economic Integration and Joint Undertakings	21
International Supervision of the Implementation of Economic, Cultural and Social Rights	21
EFFICIENCY OF ADMINISTRATION	24
Costs and Benefits of Administration	24
Supply Management	54
Financial Administration	25
Organization and Methods	26

	Page
Administration and Management of Public Enterprises	27
Marketing and Trade Development	28
Mass Employment	28
Personnel Administration and Training	29
Training and Career Development	29
Scientists and Technical Personnel in the Public Service	32
CO-ORDINATION OF INTERNATIONAL ACTIVITIES IN PUBLIC ADMINISTRATION	35
Technical Co-operation and Co-ordination at the National Level	35
Co-ordination at the Regional Level	36
Co-ordination at the Headquarters Level	37
CONCLUSION	30

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# INTRODUCTION

- 1. The General Assembly has called for the preparation of a framework of international development strategy in preparation for the proclamation of the nineteen seventies as the second United Nations Development Decade. The Centre for Development Planning, Projections and Policies has prepared a paper giving preliminary estimates for some key elements of a framework for international development policies for 1970's. The paper indicates that, even on the assumption that the gross domestic product in each developing country in the 1970's only continues to grow at the same rate which took place during 1950-1965, it would mean an increase in gross domestic product from \$228,300 million in 1965 to \$501,400 million in 1980, and an increase in per capita gross domestic product from \$154 to \$230. Should one expect a higher growth rate (say 6 to 7 per cent), a much more vigorous effort will have to be made on a wide front.
- The international development strategy of the second United Nations Development Decade for achieving a higher growth rate will include activities not only in the economic field, but also in the fields of social development and public administration. Any strategy for speeding up economic and social development would be inadequate if it did not include policies and measures to ensure that the public administration machinery is capable of implementing effectively economic and social development programmes. The experience of the past decade indicates that administrative deficiencies were among the major reasons for the inability of developing countries to achieve the economic and social objectives of their development plans. This important fact has been recognized by regional meetings in Asia, Africa and Latin America and by the Meeting of Experts on the United Nations Programme in Public Administration. 2/ The Economic and Social Council, at its forty-second session in May 1967, adopted resolution 1199 (XLII), in which it decided that public administration should be accorded an appropriate place in planning for the period following the present United Nations Development Decade and requested the Secretary-General in co-operation with the specialized agencies and non-governmental organizations concerned, to elaborate more specific objectives and programmes in this field. This note is a first step in this co-operative effort.

<sup>1/</sup> Document E/AC.54/L.29/Rev.1, Dollars are at 1960 prices.

<sup>2/</sup> See the Report of the Meeting of Experts (Document E/4296).

- 3. During the 1960's, awareness within the United Nations family of the importance of public administration aspects of national development, including the administrative and legal aspects of technical services, has been growing steadily. This is reflected in various documents, including two reports surveying the programmes in the field of public administration in the United Nations and the specialized agencies (E/3630 and E/3765, annex 1) as well as the Report of the Meeting of Experts (E/4296) and their review by ECOSOC. In resolution 907 (XXXIV), the Economic and Social Council stated that it is "convinced that solid administrative structures and sound public administration are essential pre-requisites for the progress of developing countries".
- A new approach towards public administration was necessary when development planning and strategy became major topics in the thought, studies, policies and activities of governments and international agencies. Once that stage was reached, administration could be looked upon not merely as a separate discipline with a separate sphere of action, but also as an essential element in the inter-disciplinary approach required by almost all development functions and therefore as one of the major elements of development. This promising new approach towards public administration as an inter-disciplinary activity must be turned into an accomplished fact during the next decade.
- 5. The relevant Economic and Social Council resolutions 907 (XXXIV), 978 (XXXVI) and 1199 (XLII) focused attention on the importance of public administration a topic which had previously received inadequate consideration in international discussions of economic and social problems.
- 6. In resolutions 907 (XXXIV) and 987 (XXXVI), the Economic and Social Council drew some specific conclusions from the inter-disciplinary requirements of administrative problems and from the interdependence of the various sectors of public administration. It recommended, for example, that during the various operations, investigations and activities in the field of economic and social development and planning, special attention should be devoted "to aspects connected with public administration, and particularly to the number, qualifications and training of the national administrative personnel required", and "to the importance of action designed to establish and strengthen, on a national basis, stable and well-conceived administrative institutions at the central, regional and local levels, including machinery and procedures for the preparation and implementation of economic and social planning". The Council recommended the adoption of National Civil Service Systems and urged that every effort should

be made to provide enlarged facilities for training of key administrative personnel required in the developing countries. Furthermore, the Council singled out certain aspects which it regarded as particularly important, or to which relatively little attention had been given in the past. In particular, in one of its recommendations it mentioned the desirability of considering, in the development of programmes, such problems as:

- "(i) Legal and administrative relations between State and autonomous institutions;
- "(ii) Structures and technical procedures of the central agencies designed to perform economic and social planning; and
- "(iii) Decentralization, operating functions of ministries and departments including field offices, and areas of efficient district administration in selected functions."
- 7. As noted in the eport of the Meeting of Experts held in January 1967, developments in recent years in the various fields mentioned above, and in inter-agency co-ordination in public administration constitute, on balance, a positive step forward and can be used as starting points for further progress in the next decade even though (due to lack of adequate resources) the extent of implementation falls far short of the expectation reflected in the abovementioned three resolutions.
- 8. However, refinements in the existing situation and the present administrative systems will not in themselves be enough. As the Economic and Social Council requested in resolution 1199 (XLII), it will be essential to elaborate more specific objectives and programmes in this field in the light of development requirements in the coming years. In setting out these objectives and programmes in this paper it must be clearly understood that public administration cannot be entirely separated from the political structure and the policy-making processes: it is largely an instrument or mechanism closely linked to and dependent upon the latter. Although this interdependence between public administration and the political structure is not discussed here it must be clearly kept in mind in considering the effectiveness of purely administrative measures in the development process. This is stated here not in order to minimize the importance of public administration but merely to emphasize the overriding importance of sound policies at the political level.

# MAJOR REFORMS AND CONSTANT IMPROVEMENTS IN ADMINISTRATION

- 9. In the 1970's, as in the past, efforts will increasingly be made by some countries to adopt comprehensive measures to reform their public administration structure with a view to increasing their administrative capability for development and by others to effect improvements in certain aspects of administration or in the organization and administration of individual sectors, organizations, programmes and projects with a view to implementing effectively particular development efforts.

  Development Planning and Public Administration
- 10. One of the more effective ways of adopting overall administrative reform is to link it with development planning. While interest in the administrative aspects of planning has developed only recently, it is likely to grow rapidly over the next few years. It will certainly be one of the major topics in the programmes of the United Nations (on the administrative aspects of development planning and plan implementation) and those of the specialized agencies (on administrative aspects of planning in the various substantive areas with which they deal). The United Nations has held interregional and regional seminars on this subject and is undertaking a comparative study on the administrative aspects of development planning and plan implementation as well as related studies on administrative reform mentioned below.
- 11. The fundamental importance of administrative aspects of planning in the modern world has been clearly described as follows in a recent report of the Committee for Development Planning (E/4362, April 1967):
  - "35. The political circumstances already discussed are partly responsible for the difficulty of incorporating planning in the administrative structure, although these difficulties are also due to the inertia of the structures themselves and the sluggishness with which many governments approach the work of modernizing them. Even planning itself has neglected this essential aspect of change, and plans that have explicitly outlined a policy of administrative reform are few and far between. Such steps as have been taken to reorganize the administration have very seldom made allowance for the specific requisites of organization for planned development policy.

<sup>3/</sup> A meeting of the Senior Economic Advisers to ECE governments, scheduled to be held in November 1968, will deal with the question of multi-level planning and decision making.

- "36. The isolated position of planning is also due to the superimposition of modern institutions on machinery that is, as a rule, unsuitable for the implementation of development policy. To begin with, the earliest planning agencies were assigned advisory functions based on prototypes that did not take into account each country's special organizational features, or its requirements so far as action was concerned. The status of the central planning office and its relation to the executive were not defined clearly enough. · Consequently, its status depended upon the outcome of a conflict between the various pressure groups in the public administration, and sometimes the initial planning nuclei suffered a loss of face. This downgrading was rendered more acute by the youth and administrative inexperience of the first groups of planning experts. There is no stronger testimony to the results of this lack of precision in defining the functions and scope of planning than the great difficulty some countries have found in co-ordinating economic policies of such vital importance for development as tax policy and monetary and exchange policies.
  - "37. Accordingly, it is high time to consider, in the light of each country's circumstances, what place should be given to planning in the administrative structure. In some instances, this may entail a redefinition of functions and they should be redefined without bias. For example, in some special cases planning offices could be given a status such that they could exert direct influence on the decision-making process in the important sectors.
  - "38. Another aim at this stage should be the completion of planning machinery. In that connexion, the priority hitherto accorded to the establishment of policy-making machinery should be reconsidered on the basis of a selective approach, with a view to laying more emphasis on the evaluation machinery. Effective evaluation and control constitute a valuable means of dovetailing planning into the administrative structure and influencing its operations."
- 12. The following recommendation of the Committee on Development Planning, which summarizes the comments quoted above and which is consistent with the views of the Meeting of Experts held in January 1967, should certainly be considered for inclusion among the major public administration objectives of the next Decade:

"The Committee considers it imperative to strengthen the links between planning offices and public administration in general, and to adapt the latter to planned action requirements. This may involve, inter alia:

"(i) Precise definition, first of the status of the planning office, and second of its specific role in relation to certain aspects of economic policy (public investment, credit, fiscal

and exchange policies, external borrowing, etc.). An unremitting effort to secure active co-operation between the executive offices and the policy-makers at all levels, institutionalized in some cases through inter-departmental committees, might make for closer co-operation in the planning process on the part of the public sector;

- "(ii) Administrative reform, accompanying the formulation of development plans and devised in the light of development policy requirements, and at the same time providing for an over-all improvement in the status of public officials, especially at the intermediate levels of policy-making and decision-making, by means of the appropriate definition of ranks and categories."
- 13. It is important that in the future, development plans should include not only plans for the economic and social factors but also increasingly plans for administrative factors involved in development. In preparing national as well as sector plans it is not sufficient to take into account only the requirements relating to capital, labour, foreign exchange, natural resources etc. It is also necessary to examine whether the administrative machinery is adequate to achieve the targets set and to incorporate in the plans detailed proposals for strengthening the administrative organization at all levels for plan implementation. The Public Administration Division and other agencies can render advice and substantive support to the governments in bringing about improvements in administrative aspects of planning and plan implementation, both on the overall level and the sectoral and project levels.
- 14. In the next decade, if the rate of economic growth and the pace of social development are to be greater than in the 1960's, vigorous efforts will have to be made in a large number of countries to improve their administrative institutions and the re-organization of existing structures and systems. Much of what is said of public administration in the developing countries is based on a two-fold comparison: (a) with the public administration in developed countries; and (b) with management in private enterprise. With regard to the former, too much attention has perhaps been given in the past to Western models of civil service. Western personnel and training systems, themselves subject to periodical reviews, may not always fit into the ethos of many of the newer and developing countries. In one Western country, from which some of the developing countries have derived their civil service systems, major changes in the civil service have been proposed recently. Two conflicting opinions have been expressed by observers regarding the position of the civil service vis a vis the private sector in developing countries. On the one hand, there is the fear that a very privileged

élite in the civil service with high salaries and entitlements, tenure and trade union restrictions on duties and workload, plus over-protection in regard to tenure, will give rise to strong resentments from the non-public sectors. On the other hand, it has been the unfortunate experience of many developing countries that they are unable to attract trained personnel in many fields of public administration because of the greater attractions of the private sector. These two conflicting considerations must be harmonized and the whole question of a civil service in a developing country must be re-thought in the light of the total manpower needs of the government, public corporations, local authorities, education and the private sector. Greater attention will also have to be given to management in private enterprise by means of empirical studies to find out those factors of efficiency which may with benefit be applied to public administration in general and to public enterprise in particular.

14a. In this promising field of the adaptation of public administration structures and systems to development requirements, the United Nations Public Administration Division is already engaged at present in a number of projects. On the research side it has in its work programme a study of appraising administrative capability in development planning. The study is aimed at developing methods to appraise administrative capability of a government organization or a system of organizations to carry out its functions under a development plan or programme. Another project under way in the Public Administration Division is a comparative study of national efforts for major administrative reforms. The study will identify factors both conducive and inimical to the success of major administrative reforms and indicate guidelines which may be helpful in the design and implementation of reform programmes under different circumstances. The findings of such studies are to be applied in national programmes through technical co-operation activities. One related area where comparatively little has been done but to which the Division has given some preliminary thought is that of regulatory administration. As the private sector plays a significant role in development

capabilities to regulate the private sector to achieve the desired goals.

The study of the subject and the search for ways and means to reorganize regulatory agencies and institutions for promoting economic and social development should receive more attention, and international action to render assistance to countries towards achieving these objectives should be considered.

On the operational side, a number of projects on major administrative reform, including a Special Fund project, have been undertaken by the United Nations Public Administration Division. Such projects in the next decade are expected to increase significantly.

# Improvement of the Administration of Major Development Functions

- 15. Since development plans are usually implemented on a sectoral basis, it is important to improve the administration of individual development functions and the co-ordination of these in each sector. The specialized agencies and the United Nations can do much to accelerate improvements in this critical aspect of development. Effort should be focused on improving the organization for sectoral administration and the development of administrative skills of professional and technical personnel at various levels for special development functions.
- tration of major development functions in order to enable governments in the developing countries to understand more clearly the alternatives available with respect to the role of government in relation to such functions and approaches to their organization and administration at national, regional and local levels. Such studies are fairly well advanced in only a few cases although a number of specialized agencies have programmes aimed at the improvement of the administration of the development functions of special concern to them. The United Nations Public Administration Division has co-operated with WHO in its programmes concerning health administration, especially in Latin America and in Asia. FAO and the Public Administration Division have also collaborated on regional sessions related to administration for agricultural development. Within the United Nations, studies on administration of social services and transportation were undertaken by the Division of Social Development and the Resources and Transport Division, respectively, with the collaboration

of the Public Administration Division. The Division has also carried out a study of administrative aspects of community development, with the collaboration of other offices and the specialized agencies concerned.

- 17. With a view to facilitating studies in the administration of individual development functions, and to achieving the desired and practicable degree of consistency in methods of classification of administrative systems, in terminology, and in subject matter coverage, it is planned initially to prepare a guide to identify the common elements of content, methodology and terminology involved in comparative studies of governmental organization and administration of development functions. Then, a concerted effort will be made to execute the studies, with the initiative for each being taken by the office or specialized agency having substantive competence in the respective field and the Public Administration Division collaborating in the execution.
- 18. Many countries may have to adapt their legislation, or even draft new legislation, and to set up the administrative and para-administrative structures required by industrialization. These will include not only the structures and legislation required by industrialization per se, but also legislation concerning related sectors or problems.
- 19. If industrial development policies increase in scope, the changes they will involve in countries moving rapidly forward to the industrial stage will call for some adjustment, or even complete innovation, in the legal and administrative field. With the recent establishment of UNDO, the opportunity is afforded of improving and expanding assistance to governments in dealing with administrative problems associated with industrialization programmes, in particular: strengthening and adaptation of the responsible ministries and departments, co-ordination with planning departments, adoption of legislative measures and regulations and establishment of new procedures governing relations between the government and economic and professional groups.

# Postal Administration

19a, Efficiency of postal administration is an important factor in national development. The Universal Postal Union aims at ensuring a uniform and efficient system for the exchange of mail throughout the world by action both at the national policy level and at the departmental level. It assists governments in increasing postal efficiency. A principal objective is to promote the appropriate degree of uniformity in postal organization, methods of work, statistics and

research. In this respect, some progress was achieved after the Vienna Conference (1964) which also resulted in the organization of regular seminar courses in England and France for English and French speaking postal officials from developing countries. A substantial increase of technical assistance programmes in the field of postal administration is expected.

20. In many countries, one feature of governmental and administrative structures is the comparative weakness of the ministries concerned with social affairs. Since all planning - in the plan preparation stage - implies some arbitration between ministries and between economic, professional and social forces and groups, the weakness of social affairs ministries in the governmental structure of the developing countries is one factor which, in the long run, could make it difficult to mobilize the various sections of the population for conscious participation in the achievement of development objectives, which cannot be reduced to purely economic terms or determined in an abstract and technocratic manner.

20a. In particular, as a result of their relative weakness, the ministries of labour (especially in the planning function) have not been able to provide planning departments with the data they require, or, even less, to embark on employment planning activities themselves. As a result, employment planning has been entrusted to planning departments, many of which have only the most distant relationships with ministries of labour. But the planning departments for their part do not have the administrative machinery required for direct implementation of the plans they prepare. Furthermore, the two types of departments do not have a common language in which to address one another either about theoretical problems or about methods of practical action, particularly action to implement a vigorous labour policy. Consequently, the bridge between the two types of departments needs to be rebuilt and employment departments in ministries of labour strengthened, if only to ensure that employment plans prepared outside Ministries of Labour can be put into effect. Apart from recommending that the role of ministries of labour should be strengthened and that there should be closer collaboration between ministries of labour and planning departments, the ILO is also offering advice on the methodology of labour planning and the training of skilled personnel in this field, including labour planners working in the central economic and social planning departments

and labour administrators attached to ministries of labour. It will be seen that the large-scale expansion of the ILO's employment programme will call for an adequate strengthening of the national administrative staff and machinery required for implementing it; and strengthening of administrative staff is indeed a major feature of the programme. 4

# Aiministration for Regional (sub-national) and Local Development

- 21. The administrative component is crucial to the success of regional (sub-national) development programmes. The Public Administration Division is undertaking a comparative study of the subject to provide guidelines (a) in structuring special organizations for regional development and for relating them to other public bodies having functions in the region, and (b) in designing the structure of regional or provincial administration on a nation-wide basis. The study will build on other studies by the Division in the field of local and regional administration. It would also build upon and contribute to the current United Nations Research and Training Programme on Regional Development, requested by ECOSOC in its resolution 1086C (XXXIX).
- 22. The Public Administration Division will have completed by 1970 a series of worldwide studies on central agencies and institutions for the improvement of local government, including studies of central services to local authorities (with the collaboration of the International Union of Local Authorities), of local government systems, of local government training and of specialized credit institutions for local authorities (in collaboration with the International Information Centre for Local Credit). The Fiscal and

<sup>4/</sup> After the text had been completed, we received the following comments from ILO.

<sup>&</sup>quot;In the actual tackling of the problem there are a number of different aspects to be faced. The first is the policy obstacle, in that many developing nations have yet to be persuaded as regards the growing need for attention and budgetary support to action in the social and labour field. A second aspect is that of restructuring the national administration to ensure co-ordination of effort and more effective implementation. The others, which follow, are the methods of operation and the size of the administrative machinery and staffs required.

<sup>&</sup>quot;In view of the special importance now attached to public administration, as a prerequisite for greater success in development programmes, there appears to be a need for concerted action sponsored by the major agencies of the United Nations to obtain a suitable share of U.N.D.P. funds, especially from the Special Fund sector, for projects in the public administration sector."

Financial Division of the United Nations recently completed a study of land tax administration. Further comparative studies are needed of local government structure, finance and financial administration in order to provide effective support for technical co-operation projects in this field, which are expected to continue to increase in the 70°s.

23. ECOSOC resolution 1086C (XXXIX) expressed concern for "problems of excessive migration from rural areas to overcrowded cities, with concomitant unemployment and other social problems". An earlier ECOSOC resolution set in motion a concerted international action programme in the field of urbanization (resolution 830 (XXXIIB)). The Division's comparative study of the administrative aspects of rapid urban growth, undertaken with the collaboration of the Institute of Public Administration of New York and in consultation with other offices and specialized agencies of the United Nations, is in pursuance of both resolutions. It is designed to provide insights into the restructuring often required at all levels of government in dealing with problems resulting from rapid urban growth. Follow-up regional and national seminars on the subject and other forms of international support of national efforts are anticipated.

#### Administrative Problems of Housing

The current work programme of the Centre for Housing, Building and Planning includes two projects which directly relate to administration: project (a) policies, programming and administration in housing, building and planning (ECOSOC resolution 976B (XXXVII)) and project (b) - Urban land policy and land control measures involving selected country studies for Latin America, the Middle East, Asia and the Far East, and Europe. The Centre has assisted in conducting a number of seminars and projects which, in one way or another, deal with basic questions of administration. In addition, some of the regional commissions, particularly the ECA, have active projects concerned with housing policy and administration. A growing number of countries are establishing ministries of housing and urban development or other entities, such as maticual housing banks, housing corporations or institutes. In areas of squatter settlements, which are proliferating in the metropolitan areas of most develop-

ing countries, not only do regional physical planning and development considerations take on special importance, but the whole apparatus of municipal and local government administration must be brought to bear for the upgrading of existing environmental living conditions. In fact, there are few aspects of the work undertaken in the Centre for Housing, Building and Planning which do not impinge on public administration problems and programmes. This work includes the whole question of appropriate institution-building at national, regional and local levels of government to deal with the problems involved.

# Administration for the Control of Narcotic Drugs

24a. Another area where building of administrative capability to implement an internationally accepted social action programme is that of narcotics control. The Single Convention on Narcotic Drugs which came into force in 1964 requires the parties to the Convention to maintain an administration for enforcement of its provisions. The Commission on Narcotic Drugs, the Economic and Social Council, and the International Narcotics Control Board, give advice and help to governments on questions relating to the administration of narcotics control. Such help has taken the form of the grant of fellowships to civil servants as well as the organization of regional or inter-regional consultative groups, study groups, seminars, etc. In a five-year plan for technical assistance in narcotics control, projects for helping governments in the setting up or the strengthening of their national administrations for narcotics control have been included.

#### SPECIAL ADMINISTRATIVE PROBLEMS IN THE 1970'S.

- 25. During the next decade, problems of public administration in developing countries should be the constant concern of the United Nations, the specialized agencies and associated organizations. As the international organizations try to achieve an even greater degree of harmonization and co-ordination, they should continue to analyse these problems and should help in the search for increasingly effective solutions, particularly in the general problems mentioned in the preceding part of this note. But the next decade will also be marked by the inclusion in development programmes of some new projects (or projects with new emphasis) and some which have hardly been tackled at all during the first decade. Even at this stage, it is possible to mention briefly (for illustrative purposes) some of the topics which will probably appear in the programme for the next decade, and to stress the fact that they will all in different degrees have some "public administration" aspects. It would be deplorable (and indeed it would have damaging effects both on the development process itself and on the returns obtainable from multilateral or bilateral foreign aid) if the "public administration" aspects of these new or significant activities were not identified, and if - contrary to what has happened too often over the past twenty years or so - no system were developed at least in outline for avoiding a situation in which the importance of administrative aspects in technical programmes was discovered too late -"after the event", as it were, or after a period of groping in the dark or even failure,
- 26. It is not possible in this paper to deal exhaustively with all new or specially important administrative problems in the next decade. For illustrative purposes, a few significant problems are given in the following paragraphs relating to the advances in science and technology, educational change and administration, population growth, efforts to overcome food shortage, participation of the people in public administration, increase in the number of

<sup>5/</sup> It would, of course, be misleading to assume that all these topics can be listed under the heading of "Public Administration"; but it is clear that many of them are already being studied by certain departments of the United Nations and the specialized agencies, and that they will in future be reflected to a greater or lesser extent in the programmes and budgets of the agencies.

small states, problems relating to economic integration and co-operation, etc.
Major Advances in Science and Technology

- 27. In the objectives and programmes for the next decade consideration will presumably be given to the apparently unlimited possibilities opened up by the important scientific and technological advances in the last two decades. In order to enable the developing countries to enjoy a fair share of the benefits of scientific progress, it is necessary to increase their capability to apply science and technology to development. This would involve a number of administrative problems, especially the following:
- (a) The improvement of science education, the organization of scientific and technical research, and the elaboration and implementation of scientific policies, particularly in the developing countries, are some of the elements in UNESCO's programme, and will be developed to a great extent during the next decade. The institutional and administrative aspects of the problem, the status of research workers, and so forth, are already mentioned in the "programme guidelines". It must, however, be mentioned here that among the most important activities of UNESCO in this connexion are those relating to: establishment of governmental structures for science policy and preparation of the relevant legislation; increasing the productivity of research institutions through improvements in research organization and administration; and training of administrators for the scientific and technical institutions of developing countries. In the WHO and FAO programmes, too, increasing emphasis is now being placed on research.
- (b) In the field of the peaceful use of atomic energy, the IAEA, at government request, gives advice on the appropriate government infrastructure for the development, management and control of national atomic energy programmes; this infrastructure may take many forms, such as atomic energy commissions or committees, interdepartmental arrangements within existing government structures, the establishment of licensing authorities and technical advisory services within national health, agriculture or industrial programmes. The IAEA also provides assistance, particularly to the developing countries, in the drafting of legislation dealing with nuclear energy. This assistance, which is mainly of a

<sup>6/</sup> Details are given in document ST/SG/AC.6/L.4. See also Symposium on Science Policy, Yaoundé, July 1967, UNESCO (SC/CS/91/1).

legal nature, involves the preparation of draft legislation and regulations concerning the establishment and functions of national bodies with related responsibilities, such as protection against radiation, transportation of radioactive material, civil liability for nuclear damage, etc. Among the national regulations now being prepared, the agency is trying to achieve a certain degree of uniformity, which will help to promote the development of peaceful uses of atomic energy. Furthermore, in order to help complete the training of administrators and jurists who, in various parts of the world, particularly the developing regions, are collaborating or may be called upon to collaborate with the national authorities in the field of nuclear activities, the IAEA organized in April 1968 a training course on the legal aspects of the peaceful uses of atomic energy, whose main purpose was to familiarize the participants with the nature and possible solution of various practical problems, both legal and administrative, encountered in the implementation of national nuclear activity programmes.

- (c) The use of new communications media for publicity and education purposes will raise a number of legal and administrative problems, some of which have not or not sufficiently presented themselves before. In view of the complexity of the techniques involved, responsibility for assistance to governments in dealing with problems of this kind should be left largely to the specialized agencies, particularly ITU and UNESCO; but the United Nations will, of course, also be involved in the legal, general administrative and some other aspects.
- (d) The progress in science and technology has significantly affected certain traditional areas of public administration. As it will be indicated later in this note, it has led to important changes in management techniques as well as the composition and structure of the civil service. Increasing attention to these changes is reflected in the work programme of the Public Administration Division.

#### Educational Change and Administration

28. The educational system, in any country, is one of the important factors influencing the administrative system. Though it is often difficult to isolate the effects of the education system on the administration, from changes in certain cultural patterns, the structure of the economy, etc., there are modifications — qualitative and quantitative — in the educational system, which could and should

be taken into consideration in both short-term and long-term policy on the administration and the civil service. Failure to do so may have as a result the creation of disequilibria within the civil service. It may also adversely affect the recruitment of civil servants both in the sense of failure to attract certain types of skills or failure to take advantage of the existence of new skills or of changing conditions in the market for skills. A problem closely connected with educational change, which deserves special attention is, precisely, the relation between estimated demands for skills in the public service and the estimated output of the educational system. The difficulty of forecasting such demands is very real and cannot be under-estimated. However, the need to develop appropriate forecasting techniques and to promote research in this field is evident.

### Administration of Programmes Relating to Population and Family Planning

29. The effective administration of policies and programmes relating to population growth and family planning will be a major concern of an increasing number of governments in the 70's. The outcome of national efforts for economic and social development may largely depend on the effectiveness of governments to administer their programmes relating to population growth and family planning. The Population Division is undertaking research to systematize information on experience in the administration of policies and programmes relating to population growth and family planning, with a view to improving the administration of these programmes. Various offices of the United Nations and specialized agencies have an important role individually and collectively in the support of national efforts in this field.

# Administration of Agricultural Development and Land Reform Programmes

- ment methods and improved performance, agriculture has been lagging behind industry in most developing countries in the decade of the sixties. One lesson of experience worthy of note is that sectors other than manufacturing stand to gain markedly from introducing modern management methods. For the fullest exploitation of new technological possibilities, including upgrading of far management skills, reorganization of farm units, and a new drive to get modern management methods into agriculture; this has been a continuing concern of FAO
  - 31. Another important and related area is land reform. FAO, in co-operation

Including what might turn out to be a technological breakthrough to enable certain farm outputs to increase five and six times the earlier levels, now being experimented in certain Asian countries.

with the United Nations Division for Social Development and the Public Administration Division, is working on a study of administrative aspects of land reform. In still another related area, the Water Resources Section of the United Nations Department of Economic and Social Affairs is paying special attention to the administrative and legislative problems of water resources development in devaloping countries. Participation of the Citizenry in Public Administration

- 32. This topic, which is closely associated with community development and local government, has been the subject of studies, meetings and technical co-operation projects of the United Nations acting in concert with the specialized agencies. It has for long been discussed in the Economic and Social Council, in the Commission for Social Development, and, in the IIO. Recently, too, it has been referred to at the United Nations seminar on the realization of economic, social and cultural rights, held at Warsaw in August 1967. The Meeting of Experts on the United Nations Programme in Public Administration (E/4296) recommended consideration and study of arrangements for participation by the people, including workers organizations in the administration of plans. In short, participation at all levels of government is likely to receive greater attention in the next decade.
- 33. In the modern world no economic and social policy can be regarded as exclusively the affairs of politicians, administrators, economists and technicians. The United Nations and the specialized agencies are certainly not in a position to recommend specific political structures, and even less to recommend a particular planning system as a model which would be universally valid. The fact remains that, at a time when the government and its departments are the active agents of development in many countries, the efficiency and realism of their programmes and, consequently of international assistance will to a great extent depend on the degree of participation by those to whom the policies are to be applied from day to day.
  - 34. Furthermore, provision for this participation is made in the

instruments which an appreciable number of states have ratified, and on which, therefore, their social policies should be based. The International Labour Organization, for instance, has drafted many conventions and recommendations providing for the establishment of tripartite consultative bodies which participate in the elaboration of economic and social policies, in the application of these policies or, at least, in decisions taken at the regional enterprise level, or in the management of certain social services. This idea of "participation" will probably become a watchword in the 1970's. Its importance is highlighted by the following fact which has been noted particularly in the course of the assistance activities of the United Nations, the International Labour Office, and WHO. When programmes or projects are prepared with the central authorities, and when, for some reason or another, insufficient attention has been given to the competence of regional or local authorities (or, in the case of federal States, the authorities of the constituent states), or to the responsibilities of independent or private enterprises, or to the role of representative associations in economic and social affairs, the implementation of the programmes is slowed down and sometimes completely jeopardized. At the other extreme, there are certain countries where too much participation impedes the activities of the public authorities, or even paralyses them, and is therefore an additional obstacle to development.

- 35. The methods of participation in individual development functions and the procedures and administrative arrangements for participation are matters of concern to each substantive office and specialized agency. But they raise problems which form an integral part of the overall problem of governmental and administrative structures. Here too, the United Nations, in close collaboration with the specialized agencies, could act as a centre for collecting the data required for making analyses, producing consolidated reports where possible, and proposing feasible solutions to individual countries.

  Administrative Aspects of Cultural Policies
- 36. Studies undertaken by UNESCO have shown that for about twenty years, and particularly since 1960, more and more governments have been establishing a

cultural affairs department separate from the education department. On the one hand, this trend reflects a new phenomenon which is due to the progress made in school facilities, communications media, urbanization and levels of living and has been described as cultural development. On the other hand, it shows that governments are now anxious to take deliberate action at the national level to meet this new demand; and this action is known for short as "cultural action".

- 37. Many States have included in their constitutions a provision stating that major cultural works shall be made accessible to the widest possible cross-section of the population. But general access to works of culture cannot be achieved solely by individual initiative, which is hampered by too many economic and psychological barriers. Some assistance must be given by the public authorities, which command the resources required for such a vast endeavour.
- 38. This is true of the industrialized countries, and even more so of the developing countries. In the latter, the economic and social condition of the vast majority of families makes it impossible for a child to supplement his school education when he grows up, and often does not even allow him to retain the knowledge he has acquired. In all countries, education, which was only recently an individual matter, has become the responsibility of the community. Governments are in fact having to intervene more and more often in cultural matters and to allocate increasingly large sums to them.
- 39. As cultural affairs are virtually unlimited in potential scope, the public authorities must in their activities adopt a coherent viewpoint and an effective programme of action. A cultural policy is a set of principles defining the action and methods to encourage the highest degree of creative originality and the widest possible public participation. Cultural policies are not concerned directly with the content of culture, but rather with the infra-structures and the administrative, technical and financial procedures which the State used in this field.
- (see in particular Round Table on Cultural Policies, 18-22 December 1967), the fundame tal importance of the administrative aspects is now generally realized; and this is another new feature of development to which increasing attention will be paid during the second decade.

### Distinctive Administrative Problems of Small States

h). A large number of small states (with less than 2,500,000 population) have become independent in recent years and more can be expected in the 1970's. These states confront unusual problems in public administration due to their

small size. Generalizations that may be valid for large States must be reexamined for their applicability to small states. The Public Administration
Division, which provides substantive support to such states, including newly
independent ones, in modernizing their administrative systems, has undertaken
a comparative study of approaches to the distinctive administrative problems
of such states. It is also collaborating with UNITAR in its wider study of
the special problems of small states and territories.

# Administrative Aspects of Regional and Sub-Regional Economic Integration and Joint Undertakings

- 42. The quest for regional and sub-regional economic integration and joint undertakings that support national development efforts is an emerging trend of the sixties which is likely to gain momentum in the seventies. This trend is manifested in the growing number of multi-national institutions in the different regions. Institutions to provide common services for two or more nations to cultivate common markets, to co-ordinate economic policies, to integrate development planning and to undertake joint projects, such as multi-national public enterprises and river development authorities, are indicative of this important trend.
- 43. The successful performance of these newer forms of multi-national institutions is bound to reinforce the trend and add impetus to the quest for additional opportunities for co-operation and joint action. However, it is to be noted that while these multi-national institutions open up new opportunities, they also give rise to new administrative problems and causes for tension. Therefore, methods of organizing and administering multi-national institutions require more research and exchange of experience. Another fruitful area of research is on the advantages of co-operative action by small states in the administration of functions that have a significant bearing on development. Also, technical assistance aimed at improving the performance of these institutions ought to be accorded a high priority.

# International Supervision of the Implementation of Economic, Cultural and Social Rights

44. During the present decade, an outstanding feature of international co-operation in promoting and encouraging respect for human rights and for fundamental freedoms for all - which is one of the purposes of the United Nations according to paragraph 3 of Article 1 of the Charter - has been the large number of significant international instruments relating to human rights adopted

by the United Nations or by specialized agencies. Under several conventions dealing with various economic, social and cultural rights, various forms of international supervision of the implementation of those rights have been devised. For example, in the ILO Discrimination (Employment and Occupation) Convention and the UNESCO Convention Against Discrimination in Education, States Parties undertake to formulate, develop and apply a national policy of equality of opportunity and treatment, and to submit to an international body periodic reports on the action taken and the results achieved. Under the International Convention on the Elimination of all Forms of Racial Discrimination, States Parties undertake to pursue a policy of eliminating racial discrimination in all its forms, and to establish an international Committee to consider reports on the measures adopted to give effect to the provisions of the Convention: complaints that a State Party is not giving effect to the provisions of the Convention may also be considered by the Committee. Under the International Covenent on Economic, Social and Cultural Rights, States Parties undertake to recognize certain economic, social and cultural rights and to submit reports on the measures which they have adopted and the progress made in achieving the observance of those rights. Copies of the reports are to be transmitted to the Economic and Social Council and to the specialized agencies concerned, and the Council may bring to the attention of other competent organs and bodies of the United Nations "matters arising out of the reports".

45. On the other hand, the ILO's long experience in supervising the implementation of Conventions and recommendations regarding labour matters suggests that defects in labour administration departments in certain countries have acted as a barrier to any extension of the ILO's activities, have prevented the establishment of a dialogue between the ILO and governments and have made it impossible for governments to take suitable steps to implement the Conventions. Even as regards the submission of reports on the implementation of the Conventions in accordance with articles 19 and 22 of the ILO Constitution, the lack of an appropriate department in the Ministries of Labour of certain countries (sometimes this deficiency is of long standing) constitutes a serious shortcoming and prevents any communication between the ILO and national adminis-

extent possible with the limited resources available, by organizing regional seminars on national and international labour standards. The seminars are held in connexion with the general training programmes for labour administration staff, which have been organized every year since 1964 in a different region, and have proved to be of some value; but they will not have any lasting effect unless the officials trained remain in their posts for a certain period and, in a wider context, unless the training is supplemented at the national level by the establishment of specialized legal and administrative departments.

46. Deficiencies in national administrations tend to weaken the role of the United Nations in the promotion and protection of human rights, particularly of the economic, social and cultural rights whose full enjoyment by all is, in the last analysis, the supreme objective of all development policies. It is clear, therefore, that in order to achieve the full realization of those rights, national legal and administrative departments in some countries may have to be strengthened considerably, and the United Nations itself may have to make a direct contribution to the training, or further training, of specialized officials.

#### EFFICIENCY OF ADMINISTRATION

47. It should not be inferred from the spotlighting of certain new trends and perspectives that we can neglect the basic elements and established approaches to sound administration, which have formed the essential parts of the United Nations Public Administration programme in the past ten or fifteen years. These basic elements include, in addition to some of the points already covered earlier in this paper, improvements of civil service systems, personnel training, supply management, financial administration, and administrative efficiency. Subject to a greater emphasis on the requirements of social and economic development, some of these basic elements will, in fact, gain increasing importance in the total administrative efforts of the next decade.

#### Costs and Benefits of Administration

- expenditure on the operation of the administrative system alone amounts to helf of the total budget or more. The large size of public expenditures, however, does not mean that administration is efficient in those countries.
- 49. In all branches of public administration, including the financial, research in two broad areas is needed: (a) to develop units for comparative measurement of costs and performance of public services, with due regard to differences in circumstances; and (b) to develop tools for measuring the adequacy of investments in the administration of government organizations, sectors and entire public administration systems and for determining what type of administrative investment would be most beneficial. These tools would also be useful in identifying needs for major administrative reform. Research in both areas should result in improved methods of appraising present and potential performance, to which the Division's study on the appraisal of administrative capability in development will contribute. The problems raised in this paragraph are similar to those involved in such advanced methods of financial administration as programme and performance budgeting and the so-called PPBS (Planning, Programming and Budgeting System).

#### Supply Management

50. Efficiency in supply management is an important element in economic development administration. Many departments in the specialized agencies

believe, on the basis of several specific cases, that one obstacle to development - including the efficient implementation of foreign aid programmes - lies in the unsuitability of administrative procedures, particularly for the purchase, deployment and utilization of equipment and supplies of all kinds required for public operations. Legislation, regulation and supervision of government purchases, conditions governing the management of supplies, public accounting and financial supervision procedures, management of stock and quick delivery of vehicles and products, especially in areas far from the capital, are some of the decisive factors in the particular fields dealt with by WHO, FAO and UNESCO. Each field does, of course, have its own individual aspects. But there are many more aspects which are common to all ministries and departments, with which the Public Administration Division has been concerned in its research and technical co-operation programme.

#### Financial Administration

51. In any consideration of development administration, adequate attention must be given to the fiscal and financial aspects of public administration. The Fiscal and Financial Branch of the Department of Economic and Social Affairs is tackling many problems in this field and will also co-operate with the Public Administration Division in developing a work programme in local finance, local financial administration and central-local financial relationships. The relations between central banks and government ministries, the organization of development banks and other financial institutions, the promotion of savings, etc., are also administrative problems of great importance in the implementation of financial policies in developing countries. The I.M.F. has promoted good management in these fields by assisting governmental and central bank authorities to look at all aspects of proposed programmes of action - to balance policies and programmes against the financial resources of all kinds available to carry them out. The Fund has been active in assisting a number of countries in drafting and revising their central banking and general banking laws. The Fund's experts either hold senior positions in the institutions to which they are assigned, with responsibility for the formulation of monetary and credit policies, or positions in highly specialized fields, such as research, credit administration, foreign exchange operations, and bank supervision. The Fund has made experts available to assist in improving the accounting practices of newer central banks. In one instance, the Fund has sponsored an expert for the specific purpose of assisting a central bank to improve its administrative organization and methods. The public administration and training aspects of the Fund's work find their

expression principally in the work of the IMF Institute at Fund headquarters, and in that of the Central Banking Service and the Fiscal Affairs Department in the field. In view of the greater emphasis on development, it is legitimate to expect that work in this field will be of even greater importance during the next decade.

### Organization and Methods

- 52. As indicated in the Report of the Meeting of Experts, a wider application of "O & M" will be even more essential in the future. In view of the significant advance in modern management techniques and equipment, these may be used on a scale which would have been unexpected a decade ago. automatic data processing, for example, opens up prospects which should be carefully studied in the light of the needs and possibilities of the developing countries. The Report of the Meeting of Experts has briefly indicated some general guidelines for studies of this kind, and has drawn attention both to the possibilities offered by using these techniques and, in some cases, to the "contra-indications". This topic certainly should be a major item in the programme for the next decade, and it is a field in which co-operation between the United Nations and the specialized agencies should be organized on a regular basis.
- study of the application of modern management techniques to public administration and plans to convene an interregional seminar on the subject in 1970. The objectives of this seminar are to review the major trends in management and the significant categories of management techniques; to develop analytical insights into the pros and cons of the application of different techniques; to develop an understanding of environmental factors affecting the introduction of modern management techniques generally and in specific activities; to consider the organizational and administrative conditions for, and implications of, their successful introduction and utilization, including training requirements; and to review the managerial problems involved in the use of management techniques available. Emphasis will be placed on developments in management techniques which have value and potentiality for improving public administration, including

public enterprises, in developing countries. Consideration will be given, for example, to relevant techniques and findings which have emerged from research in the behavioural sciences (especially those pertaining to problem-solving and decision-making); mathematical and statistical approaches to management (e.g. operations research, linear programming, game theory, not work planning methods); budgeting and accounting techniques to facilitate management; and devices to expedite the collection, processing, storage and retrieval of information needed for management purposes (e.g. automatic data processing). Consideration will also be given to the organization and administration of national management advisory services, including services to local authorities, and the factors involved in using private management consulting firms and technicians.

#### Administration and Management of Public Enterprises

54. The United Nations has been engaged in this important field for many years. The Public Administration Division has convened three seminans on the subject - in Rangoon (1954), in New Delhi (1959) and in Geneva (1966). In addition to several publications issued by the Division on the problems of organization and administration of public enterprises in developing countries. it is currently undertaking a major research project on this subject. It now has a number of technical co-operation projects in this field with developing countries, including one Special Fund Project. The ILO has also been engaged in management development work in developing countries for a long time and has rendered technical co-operation to many countries in the field of management UNIDO, as previously mentioned, is also interested in improved administration of public enterprises operating in the industrial field in some countries. The International Union of Local Authorities, in consultation with the UN, has made a complementary study on municipal public enterprises. Similarly, other United National offices and specialized agencies have rendered technical co-operation to public enterprises operating in their respective fields. The survey missions of the IBRD have studied problems related to the organization and management of public and private enterprises in several countries.

55. The decade of the sixties has been characterized by a marked proliferation of public enterprises in developing countries, irrespective of their political systems. The pending question before the governments of many develop-

ing countries is not so much whether public enterprises are advisable, but how to improve the performance of those already established. Increasingly, the concern is shifting toward programming for improved performance - a trend which is likely to be more pronounced in the coming development decade. To respond effectively to the growing needs of technical assistance in this field, not only is a better understanding needed of the forces affecting the performance of public enterprises in developing countries, but also more effective methods of rendering help and greater inter-agency collaboration.

Marketing and Trade Development

56. The field of marketing should receive greater emphasis in the developing countries. The tendency now amongst these countries is to concentrate on production. Marketing is equally as important and should indeed condition the types of goods to be produced. In countries with centralized planning of production and in countries with state owned public enterprises, there exists a need for the training of administrators in marketing principles. This is especially true of those countries and industries which are seeking an increase in exports. In this regard, the ILO makes assistance available to governments to help them in developing a market outlook both in their industrial and commercial sector and in their administration. Public administrators in the trade field also need guidance in the principles and realities of international trade. This guidance should be aimed at imparting practical understanding of tariff principles and trade agreements, trade legislation and trade practice in various countries, and other such specialized items which require considerably more attention from developing countries. In this field, there is scope for cooperation between the joint UNCTAD/GATT International Trade Centre and the Public Administration Division.

#### MASS PROLOVERSE

57. Mass employment in public works through labour-intensive methods has been a greatly neglected potential area of economic growth. Effective action in this area, however, requires understanding of the implications of the administrative factors involved. Planning officers need to gear this concept to their forward projections, and proper planning of the actual work is needed including training of foremen and other supervisory staff. With few exceptions, this kind of activity has been neglected in the past and considering the population problems that exist in some countries, renewed attention should be given to this avenue of employment and economic growth in the Second Development Decade.

#### Personnel Administration and Training

- 58. In the past ten or fifteen years the major portion of the resources of the United Nations public administration programme has been devoted to assistance in the improvement of personnel administration and in the training of national civil servants in the developing countries. The United Nations has assisted a number of countries in improving or reforming their civil services or personnel systems in the public sector, including assistance to about thrity institutes of public administration. In the next decade, it is expected that personnel administration and training will remain the most important single item in the programme. However, because of the importance attached to social and economic development, increased emphasis must be placed on the management training of professional and technical personnel and on improving the quality generally of personnel in the public service, including managers in State-owned enterprises. These will often necessitate changes in personnel systems, including provision for increased mobility between units of government, and expansion of in-service training programmes. Training and Career Development
- 59. Assistance to governments in pre-entry, post-entry and middle-
- management training of civil servants will continue to constitute the major part of the technical co-operation programme in this field. However, certain new trands have developed in recent years and are expected to become more prominent in the next decade.
- (a) Increasingly, the United Nations technical co-operation programme in support of training institutes, has been linked with national efforts at major administrative reform. Whenever possible, these institutes participate in administrative reform in their respective countries. Also, increasingly, efforts are being made to gear the training programmes to the needs of administrative reform.
- (b) Increasing attention is being paid to the training of professional and technical personnel in administration. Effective management of development functions requires careful selection and training of personnel at middle and top levels. While often viewed as part of the problem of developing general administrators, special attention is needed in regard to the training of professional and technical personnel who acquire major administrative response

ibilities. Institutes of public administration as well as training institutions in specialized fields, usually include courses for this purpose. The Public Administration Division is undertaking to collaborate with the specialized agencies with a view to improving the quality of such training. As an initial step, the Division has arranged for the preparation of a Handbook for the use of trainers in determining course content and methods in the training of professional and technical personnel at middle and top administrative levels to marage effectively the financial, human and physical resources available to them and to develop their skills for larger roles in administration for development. A draft of the Handbook will be ready for review by the interested offices and specialized agencies in the latter part of 1969.

- (c) More attention will have to be paid in future to the training of personnel for local and regional government. In countries which have recently become independent the most experienced local administrators have assumed positions in the central administration, leaving many cities and rural areas with comparatively unqualified staff.
- (d) The specialized agencies themselves have their own training programmes for the administrator in their respective fields. For instance, training of public health officers in public administration is one of the most important sectors of WHO's activities. Public administration is also a major item in educational planning programmes (UNESCO and the Institute for Educational Planning). Similarly, science administration is an important part of the science policy planning programmes of UNESCO. For example, the Organization intends to prepare an international recommendation on the status of scientific workers which would be presented for adoption at a special inter-governmental conference to be convened by UNESCO in 1971-1972, if so decided by the 16th Session of its General Conference. The I.M.F., in addition to the practical training which its experts give to counterparts, has given specific assistance through the medium of instruction to classes and groups of civil servants in various countries. The training courses given at the I.M.F. Institute since

<sup>8/</sup> See Handbook on Malaria Training, Geneva, 7-12 February 1966. "Special courses for national staff with higher responsibilities in the health services".

1950 to selected officials, mostly from developing countries, have been attended by participants from no less than ninety-two countries.

- (e) It seems that the administrative training and refresher courses provided for various categories of public servants employed in different sectors (health, education, finance, agriculture, labour, etc.) and for administrators of the conventional kind, will be planned in a regional context to an even greater extent than in the past. In the IIO's particular field, for example, the Yaounde Regional Centre for the training of labour administrators and inspectors has been producing some very striking results. This development has, of course, been assisted by the fact that the French-speaking states have a common language and their labour codes have a common basis; but these conditions are not in any way unique. A centre similar to the Yaoundé Centre is now being planned for the English-speaking African countries. Regional training courses have also been organized by the regional commissions and by the regional development institutes. The objective for the next ten years should be to organize in each region permanent training courses for general administration staff, or for administrators in a specialized field such as labour administrators. This should include the establishment of regional institutes of public administration with the assistance of the United Nations, and the establishment of specialized centres. For example, in addition to ILO, UNESCO has established regional centres for training educational administrators and planners; and WHO has likewise taken some important steps in this direction, particularly in Latin America. Consideration should be given to the possibility of transposing and generalizing these regional schemes, particularly for providing technical staff with training in public administration.
- (f) As regards Electronic Data Processing, already referred to under Organization and Methods, the main problems for developing countries in this field appear to arise in the area of the training of necessary personnel to operate such installations. The improved systems required by an E.D.P. installation can take several years to develop even in a developed country.

  Fresumably whit period would be considerably longer in developing countries as those countries are still evolving efficient clerical skills and have no reservoir of

- E.D.P. trained personnel upon which to draw. The introduction of E.D.P. oriented systems would, however, greatly streamline administrative methods, and current development of such systems would avoid the later need for extensive and difficult changes when actual computer use became possible. The United Nations and some of the specialized agencies will be expected to help governments deal with this particular problem in the Second Development Decade.
- (g) Increasing attention has been paid by the Public Administration
  Division to the development of senior administrators. An interregional seminar
  on the Development of Senior Administrators in the Fublic Service of Developing
  Countries has been held in Geneva in August 1968. This seminar has provided an
  opportunity for the exchange and the analysis of information about training
  programmes for senior administrators, including programme needs and methods
  for meeting them under different circumstances with a view to providing general
  guidelines particularly for the requirements of developing countries. It is
  proposed that this interregional seminar will be followed by one or more
  regional seminars, by the initiation of national programmes for training senior
  administrators in some of the institutes of public administration which receive
  assistance from the UNDP (Special Fund), and by technical assistance to develop
  ing countries at their request.

## Scientists and Technical Personnel in the Public Service

and technology to production and as the role of government in development is increasing in the developing countries, the number of scientists and technical personnel required by the public service is increasing. The questions of recruitment, status, and career development of scientists and technical personnel become increasingly important and may well constitute serious problems for the developing countries in the next decade. The United Nations is interested in these questions from the point of view of the civil service, UNLSCO from that of science policy and the ILO from that of conditions of work of scientists

and technical personnel. The United Nations Public Administration Division is undertaking a study on this subject and plans to convene, in co-operation with UNESCO, an interregional seminar in 1969. A study of conditions of work of graduate engineers, technicians and scientific research personnel in the public service is being carried out by the ILO.

- 61. In a number of specialized agencies there is a tendency to suggest that certain guarantees should be provided for national civil servants and other staff employed in departments in their respective fields of substantive competence. UNESCO, in co-operation with the ILO, has adopted a "Teachers" Charter"; WHO has recommended a career system for medical staff and their assistants. In the ILO, existing labour inspection standards established by Conventions No. 81 (Labour Inspection, 1947), No. 85 (Labour Inspectorates (Non-Metropolitan Territories), 1947, and No. 110 (Plantations, 1958) will probably be supplemented in 1969 by an instrument relating to labour inspection in agriculture. Once the latter has been done, the ILO will, during the next decade, have to try to supervise the application of all these international norms, which will then cover all sectors of economic activity and will clearly define the minimum statutory conditions which civil servants in all labour inspection units should enjoy. In regard to labour administration, which was the subject of a resolution adopted by the Fiftieth International Labour Conference and was also on the agenda for the third session of the African Advisory Commission held at Dakar in October 1967, it is reasonable to assume that the International Labour Conference could discuss this topic in the near future (1970 or 1971) with a view to adopting an instrument which might perhaps take the form of a recommendation addressed to governments. Furthermore, studies are in progress in the ILO on freedom of association and collective bargaining in civil services as well as the status of short-term staff. On the basis of these studies it should be possible to submit a series of reports to the Joint Commission on the Public Service, which is to meet in the near future.
  - 62. In short, there are now definite signs of a trend in favour of a "career system" for various categories of public servants. The question of career problems in the public service is one that has been proposed for the agenda of the first meeting of the Joint Commission on the Public Service. In this regard, it is the intention of the ILO that the report on the subject should deal, to a certain extent, with training. The United Nations, for

its part, should compare the various measures envisaged or already taken in each sector, so that these can be grouped together under one or more general concepts of a civil service statute. In many countries, civil service problems will never be properly solved merely by introducing new statutes. In no case should new statutes be drawn up without reference to a general civil service policy. Care must also be taken in drawing up these statutes that, in providing for seemingly legitimate rights, no body of civil servants should become an overprotected and privileged élite. The aim should be to introduce conditions of service within the framework of which civil servants can function effectively as instruments of social and economic development.

<sup>9/</sup> These matters have been discussed in sufficient detail in documents E/3630 and E/3765, to which reference may usefully be made.

#### CO-ORDINATION OF INTERNATIONAL ACTIVITIES IN PUBLIC ADMINISTRATION

- 63. Progress made in the co-ordination, on the one hand, of (a) documentation, studies, preparation of regulations and handbooks, and programmes of a general nature, and, on the other hand, (b) international technical co-operation activities for the developing countries, has been described in the previous reports on co-ordination (E/3630, E/3765 annex I, and ST/SG/AC.6/L.4). The review of progress achieved, and the comments made in these reports on possible improvements, will not be repeated here. The intention is, rather, to offer a number of suggestions on co-ordination methods and procedures, and in some cases even on questions of substance.

  Technical Co-operation and Co-ordination at the National Level
- of. The problems involved in co-ordinating various types of bilateral and multilateral aid cannot be solved unless governmental and administrative structures include a unit which has an exhaustive knowledge of all the possibilities and limitations of assistance and of the procedures governing the granting of assistance, and is at the same time endowed with adequate powers to centralize and harmonize all requests for assistance submitted by various national authorities, and to arbitrate between them. Some successful results in co-ordination have been obtained in many countries during the present decade. The United Nations has rendered technical assistance to a number of countries in this field. In several areas, however, this decisive aspect of political and administrative organization has not been properly dealt with, and priority action should be taken where it is still required (see Economic and Social Council resolution 1262 (XLIII) of 7 August 1967).
- 65. The number of experts in the various branches of public administration will presumably increase during the next decade, since the United
  Nations family and many national authorities are becoming more and more aware
  of the importance of public administration in development. Single experts
  specializing in one particular field of public administration will, of course,
  still be useful. However, since fundamental administrative reforms are by their
  very nature unlikely to be effective unless they extend over inter-related aspects
  and branches of administration, since most administrative reforms bear fruit
  only in the medium term or even sometimes in the long term there will be
  an increasing demand for projects which are planned or carried out by several
  experts, or a team of experts, and are continued long enough to permeate the
  administration as a whole and ensure satisfactory "follow-up". There are

already a number of Special Fund projects in public administration; and in the opinion of certain departments of the specialized agencies (such as the ILO and UNESCO), the establishment of mixed teams of experts is one solution which commends itself for the future, in public administration as in other fields. This idea should, in fact, be taken a stage further. Even where a project is not concerned primarily with public administration, the "team" should, in many cases, include a high-level public administration expert with qualifications in different fields. This idea should be adopted for all projects on a certain scale, regardless of whether they are concerned with industrial development, human resources planning or planning in individual sectors.

- assistance. In technical assistance projects, the administrative aspects of the various sectoral activities should be identified and dealt with, perhaps under the over-all control of the Resident Representative, assisted by any public administration expert or experts who may be in the country concerned. This procedure, which has been applied in certain countries, would be more effective if it became standard practice. It would then constitute one of the technical procedures for giving effect to the various ideas expressed in the earlier parts of this memorandum, which stressed, inter alia, the inter-disciplinary character of most administration problems and therefore of concerted solutions in the context of administration in general. It may be added that these suggestions do not run counter to Economic and Social Council resolution 1262 (XLIII) (see also document E/4336 of 14 April 1967) but merely reflect the purport of that resolution in greater detail.
- 67. Experts in various fields who arrive on mission in developing countries should be given a preliminary briefing on the characteristics and problems of public administration in the area or country where they are going. Co-ordination at the Regional Level
- 68. Strengthening of machinery and co-ordination at the regional level is all the more essential in that the next decade will probably see increasing movement in favour of some kind of "regional economic integration" or inter-

state economic and technical planning. Integration efforts are no longer confined to Europe. The Latin American Common Market (ALALC) is taking shape. The possibility of a common market for the Arab countries is being studied; and smaller groupings, probably the precursors of sub-regional common markets, are being formed in Africa and Asia. Economic integration directly raises the question of the administrative machinery required. In addition, there are bound to be problems of equivalents, terminology, classification, harmonization of laws and regulations, and standardization. The United Nations, in co-operation with the specialized agencies, could help in solving these problems, particularly by producing comparative studies, manuals and handbooks based on sources of information provided in particular by the secretariats of the regional economic commissions and the various technical departments at the headquarters of the specialized agencies.

69. Many of the activities of the United Nations Public Administration
Division are carried out with the collaboration of the Regional Economic
Commissions, which have their own programmes of work in the field of public
administration:— programmes relating to training, studies and research, advisory
services, and seminars and conferences. Only incidental references have been
made to some of these activities in this paper. But in order to be able to
give effective assistance to the developing countries, it will be necessary to
strengthen the units dealing with public administration in the secretariats of
these Commissions and, consequently, to increase the number of public administration regional advisers.

#### Co-ordination at the Headquarters Level

70. The progress already made in constant co-ordination between the secretariats should be taken a stage further by adopting regular procedures for consultation and mutual exchanges of information. These procedures should be applied in the joint preparation of studies, and in organizing seminars and preparing UNDP projects and, more generally, all concerted activities with major public administration aspects. Each specialized agency, according to its structure, should designate the unit or official specially responsible for providing the United Nations with information of this kind. At the same time, the indiscriminate submission of a mass of documentation would be undesirable.

This information should rather be submitted selectively, so that it can be examined, processed, discussed and used as a topic for mutual consultations with the minimum of delay.

- 71. If these methods were adopted, it might also be possible to contemplate establishing a full-scale "clearing-house" for information on public administration, so that all information which could be used in the various sectors and at all levels of public administration could be given a wide distribution.
- 72. These improvements would make it easier to undertake the "evaluations" which are mentioned in several Economic and Social Council resolutions and would certainly facilitate the introduction of new procedures for the periodic assessment of UNDP projects (see report of the Governing Council for 1967, E/4398).
- Co-ordination should establish a sub-committee on public administration. At the very least, it might be helpful if the various ACC Sub-Committees or Working Groups were at regular intervals to devote some time to the administrative aspects of the problems they were dealing with, and if the administrative problems which emerged were then discussed and settled in the Administrative Committee on Co-ordination, the ACC Preparatory Committee or an ad hoc committee on public administration (if established). There would be no need to make this a permanent body, but it might meet on an experimental basis, say, in the second half of 1969.
- 74. This procedure could be launched by issuing an "inter-agency statement on public administration" in the context of the next decade, which could be partly based on the report of the Meeting of Experts held in January 1967, as well as materials prepared for the next decade by the various units in the United Nations family of organizations.

#### CONCLUSION

75. In the Second Development Decade, the problems faced by public administration in the developing countries will pose a major challenge to their leaderships. Not only must drastic measures be taken covering all aspects of national development, but there must be a continuous study and analysis of the administrative problems involved and careful evaluation of the measures taken. Unless this is done, public administration cannot become a more effective instrument for social and economic development and it will not be able to play its proper role towards filling the gap between the developing and developed countries. The tempo of change in the 1970's will be greater than in any earlier period of history. Public administration is one of the crucial elements in the efforts of developing countries to meet the challenge of development and change, Public administration can meet this challenge if it develops certain attributes. It is important that the leaderships are aware of this need and take necessary steps to build administrative capability which is commensurate with the magnitude of the task and with the tempo of change. Such administration implies development orientation at all of its levels and the ability to deal with complex problems. Application of science and technology to public affairs opens up new vistas for progress and the administrative system should be able to optimize the use of national resources through the use of modern technologies and innovations What is needed in administration is entrepreneurial and managerial competence to harmess the forces of progress. Both the challenge and opportunity for public administration are great. The outcome will depend very much upon the commitment of public administration and its leaders to goals of development and their ability to improve the administrative capability for development. The United Nations, its specialized agencies, and the Regional Economic Commissions can make a significant contribution to national efforts by extending co-operation in the strategic areas, some of which were cited as illustration in this paper.





#### INTERNATIONAL MINERALS & CHEMICAL CORPORATION

November 14th, 1968

Mr. Michael L. Hoffman
Associate Director
Development Services Department
International Bank for Reconstruction
and Development
International Development Association
1818 H. Street, N.W.
Washington, D.C. 20433

Dear Mike:

My warm thanks for your letter of November 7th with the statement which the Bank submitted to Philippe de Seynes on United Nations Development Decade II.

I appreciate your sending me this most helpful document which I will treat with the confidence it deserves.

Sincerely,

Charles S. Dennison

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EC 123 (2-4)

REFERENCE

12 November 1968

Dear Mr. Hoffman,

I am pleased to acknowledge receipt of your letter dated 4 November 1968. Arrangements have been made to attach the corrigendum supplied by you to the replies prepared by the World Bank Group to the questionnaire relating to preparatory work for a second United Nations Development Decade.

Yours sincerely,

Philippe de Seynes Under-Secretary-General for Economic and Social Affiars

Mr. Michael L. Hoffman Associate Director Development Services Department International Bank for Reconstruction and Development 1818 H. Street, N.W., Washington, D.C. 20433

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EC 123 (2-4)

REFERENCE

12 November 1968

Dear Mr. McNamara,

I take pleasure in acknowledging receipt of your letter dated 30 October 1968 and of the replies prepared by the World Bank Group to the questionnaire relating to the preparatory work for a second United Nations Development Decade.

I believe that the very thoughtful views expressed in the replies will be extremely helpful in connexion with the responsibility entrusted to us by the General Assembly and the Economic and Social Council.

Yours sincerely,

Philippe de Seynes Under-Secretary-General for Economic and Social Affairs

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

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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

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Via delle Terme di Caracalla, 00100-ROME

Cables: FOODAGRI ROME

Telex: 61181 FOODAGRI

Telephone: 5797

Ref.

NOV. 1 1 1968

Dear Mr. Hoffman,

Thank you for sending us a copy of Mr. McNamara's letter to Mr. de Seynes, outlining the Bank's present views on various issues connected with the Second Development Decade, as well as your corrigendum of 4 November. The document has been read here with great interest. We shall also be sending you a copy of our contribution.

Yours sincerely,

Pierre Terver
Assistant Director General
Development Department

Mr. Michael L. Hoffman
Associate Director
Development Services Department
International Bank for Reconstruction
and Development
1818 H Street N.W.
Washington D.C. 20433
U.S.A.

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



FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

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Pierre Terver Assistant Director General Development Department

Mr. Michael L. Hoffman Associate Director Development Services Department International Bank for Reconstruction and Development 1818 H Street N.W.

Washington D.C. 20433 U.S.A.

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COMMUNICATIONS





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The Deputy Director-General

reference:

8 November 1968

Dear Michael,

Thank you for your letters of 31 October and 4 November with their enclosures.

I have read your answers to the United Nations with interest and profit. We are struggling with our answers. One of the issues we are working on is qualitative performance targets for the Second Development Decade. With regard to the general approach, your alternative is more realistic. Could it not, however, also be expressed in world averages, provided behind them there is the breakdown you suggest. When we are ready, I will send you our conclusions.

Yours sincerely

Malcolm S. Adiseshiah Deputy Director-General

Mr. Michael L. Hoffman,
Associate Director,
Development Services Department
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington, D.C. 20433,
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united nations educational, scientific and cultural organization organisation des rations unies pour l'education, la science et la culture

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The Deputy Director-General

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Yours sincerely

Malcolm S. Adiseshiah Deputy Director-General

Mr. Michael L. Hoffman,
Associate Director,
Development Services Department
International Bank for Reconstruction
and Development,
1018 H Street, N.W.,
Washington, D.C. 20133,
U.S.A. 1800 MOA 16 UMIO: 01

SHOUTABLELENS

November 7, 1968

Mr. Charles S. Dennison International Minerals and Chemical Corporation 485 Lexington Avenue New York, New York 10017

Dear Denny:

As promised, I enclose a copy of a statement which we recently submitted to Philippe de Seynes in response to a series of questions addressed to us and the other specialized agencies of the United Nations. I also enclose Mr. McNamara's covering letter. The unanswered Question 5 refers to some debt service projections which we have not yet made and which, in any event, would be inappropriate for me to send to you. I think the statement is more or less comprehensive as it stands but if you have any questions, please do not hesitate to ask me.

I would ask you to keep it to yourself and particularly not to inform anyone in the U.N. that you have a copy, although there is no objection to letting it be known that you are aware of the Bank's views on particular points.

With best wishes,

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures

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### CORRIGENDUM

IBRD Answers to UN Questions on Second Development Decade dated October 23, 1968

In the sentence at the bottom of Page 7 and the top of Page 8 delete the words "are, in effect, grants to IDA by Part I member governments and can" and substitute the words "are made available to IDA without any requirement for the payment of interest or amortization and can therefore"

Development Services Department International Bank for Reconstruction and Development

November 4, 1968

#### SECOND DEVELOPMENT DECADE

Ref: Mr. Philippe de Seynes letter of July 24, 1968, and Conference Room Working Paper 2/Rev. 1 of July 8, 1968

### Answers to Basic Questions Addressed to all Specialized Agencies

1. This question asks for our views on the preliminary sketch of international development strategy in the 1970's (as set forth in Conference Room Working Paper 1/Rev. 1).

Our comments on the preliminary sketch are divided into three categories: first, some technical comments on the presentation of the proposals in the sketch; second, some doubts as to the feasibility of this whole approach; and finally, some suggestions as to an alternative approach that might be considered.

#### A. Technical Comments

The paper does not clearly separate objectives or targets from the instrumental policies to put them into effect. For example, the second sentence in the sketch appears to list among the targets "an increase in non-agricultural employment." Increase in non-agricultural employment has accompanied growth in GNP in most countries and, perhaps, could be regarded as an instrumental means to secure a rise in GNP. Considered as a final objective, however, countries could fairly easily attain it by putting people to work building pyramids, for example. (Even as an instrumental means in some circumstances it might be questionable -- for instance, some countries worry about too large a growth in employment in petty trade and other services.)

Once targets are clearly disentangled and separated from instrumental policies and listed as such, then -- if the approach of the sketch of trying to set uniform targets for all countries is followed -- it appears to us there is a need to provide some ranking or weighting of the targets or some guidance as to how to compromise among them. For example, it may be quite possible that a country may have to decide between investment designed to increase the numbers receiving primary education, which could be expected to upgrade the level of productivity of the whole economy over a period of, say, one generation, or investment in a factory or mine that will result in an increase in GNP within a year or two. The same sort of problem arises where quicker growth in agricultural output might come from concentrating investment on a few farms, but only at the expense of a more equitable distribution of income.

#### B. Comments on General Approach

We doubt very much that it is possible to lay down a single set of targets and instrumental policies that are desirable and effective in each developing country. The heterogeneity of the developing countries and the variety of problems faced by them can hardly be over-emphasized. They differ tremendously in the stage of development they have reached, in their natural resources and the obstacles presented by nature to development, in the compatibility of their institutions to development, in the attitudes of the people and their endowment of skills and experience, etc. It is not surprising that the sketch left blank the minimum calories per day needed per capita of food intake. Minimum needs vary with the climate and body size. Also left blank were the proposed increases in protein intake per day and in the reduction of the death rate. It might well be that a 10% increase in protein intake in a country where people are already getting, say, 95% of their protein needs may be excessive, whereas a 10% increase in a country where people

are only getting 50% of their needs would be far short of what should and could be achieved.

In some countries, due to the youth of the population, the average death rate is already below that of the industrialized countries. In these countries an improvement in the age-specific death rates could still be accompanied by an increase in the over-all death rate as the average age of the population increases.

There are similar problems about setting a single minimum rate of 3.5-4% per annum growth in per capita GNP during the 1970's. Some countries could attain this without too much difficulty by the beginning of the 1970's; others if they do extremely well might still fall short of achieving such a rate on the average "during the nineteen seventies." Should the latter regard themselves as failures -- even though they are performing extremely well?

## C. Suggested Alternative Approach

In the light of the practical impossibility of compressing all developing countries into a common mold, it seems to us that it might be wise to consider an alternative approach to a strategy for the development decade. In broad outline, this might be composed of three main elements:

(i) The first would be a set of growth targets that each developing country would set for itself as a feasible objective which it could
achieve by the end of the second development decade. The target for each
country would be chosen within specified limits laid down by the U.N. in
the strategy paper as feasible for broad categories of countries. For
example, countries that have consistently attained a growth of 10% or more
in their GNP per year would not be expected to set higher targets for the
second development decade. Countries that have had growth rates of, say,

4-6%, would not be expected to set targets for themselves that were more than, say, X% higher except in extraordinary circumstances; countries under 4% would set targets that were up to Y% higher, etc. The basis of this approach is that it is not reasonable to expect all countries to be able to set the same figure as a feasible target, nor can international agencies set the targets for the different countries -- the growth target for each country must be set by itself.

- (ii) Supplementing the growth targets, there would be a list of subjects on each of which the developing countries would be asked to state what action, if any, it would need to take during the decade as a way of attaining the growth target it had chosen for itself. Among the items covered would be such subjects as land reform (where this is necessary), family planning, tax structure and administration, growth of savings, education, planning procedures, etc.
- (iii) Finally, each LDC would be asked to work out a realistic investment program covering the first half of the decade. This program would be expected to fit in with the targets to be achieved by the end of the decade and would be expected to be consistent with the list of policy measures to be undertaken as mentioned above. The appropriate international agencies should be prepared to provide technical assistance to the less developed countries in this task where necessary. Both the LDC's and the developed countries would be asked, as far as possible, to quantify targets and to establish the timetable for the actions to be taken. The Secretary-Ceneral would be asked to communicate with each government concerned, after an appropriate interval, to obtain a brief report on action taken under these headings.

- (iv) For their part, the developed countries would also be asked to submit statements on another series of subjects. These would consist of the convergent measures necessary to help the developing countries grow.

  Among the matters covered here would be the date by which the country plans to achieve the 1% of GNP target for flow of aid to the LDC's; its target and the date for achieving it, for the percentage of GNP it will make available in official aid; the actions that it will take to remove particular trade restrictions and to grant trade preferences to the LDC's; the program of technical assistance that it will make available, etc.
- these questions, the Bank has concluded that it could most effectively respond to them as a group by explaining the factors that are likely to determine the size and scope of its activities during the 1970's rather than by attempting to deal with each question separately. Indeed, because these are questions addressed to several specialized agencies, each with a different structure, scope of activity, and method of operation, many of them are couched in a form that would make it almost impossible for the Bank, which is a development finance institution, to give a direct answer. To give only one illustration, it would be quite impossible for the Bank to estimate the effects on its operations by the late 1970's of an average growth rate of 6% for all developing countries as compared to an average growth rate of 6% or 7% for all developing countries (question 2). The size and scope of the Bank's operations are not responsive in any identifiable manner to changes in global average growth rates.

The basic strategy that will determine the size and scope of the Bank's operations for any period can only be defined in the context of a particular country, with due regard being paid to influences emanating from any regional

economic arrangements that may be in force or in prospect. On the basis of periodic examinations of a country's economic position and prospects and of a continuing dialogue between the Bank and the authorities responsible for economic policies and planning, the Bank endeavors to reach an understanding with the country as to its investment strategy. It is in the nature of the development process that these judgments cannot stand unaltered for very long periods of time. They must be reviewed continually; on the basis of such reviews operational decisions are made concerning the most effective manner in which the Bank can contribute to the country's development. Thus ideally, and to an increasing extent in practice, the Bank's operations are based on a development strategy for each country, arrived at in agreement with the responsible authorities of the country, and consistent with the financing methods open to the Bank under the Articles of Agreement and the policies approved by the Executive Directors.

Decisions concerning an appropriate volume and distribution of Bank financing that emerge from the process briefly outlined above, are subject to three important and interrelated kinds of constraints, none of which can be quantified with any great degree of confidence for the purpose of making projections as far ahead as the end of the 1970's.

(a) The Bank Group is not the only source and not even the only multilateral source of development finance for the less developed
countries. The size and scope of its operations are bound to be
affected by the size and scope of bilateral aid programs, private
capital flows, and the operations of other development finance
institutions, bilateral and multilateral. There is, therefore, a
need for continuing coordination at various levels and the nature
and scope of the Bank's activities in any country are bound to reflect the results of such efforts at coordination.

- (b) The Bank's ability to implement a program of lending appropriate to an agreed development strategy for a country may be limited by that country's capacity for servicing external debt. Debt servicing capacity is one of the features of the national economy that is under constant review by the Bank. It is also obviously influenced by changes in the terms and conditions of development finance available from other sources, mentioned under (a) above. Debt servicing capacity certainly cannot be predicted on the basis of assumed annual average growth rates for a country, much less for LDC's as a whole.
- (c) A direct consequence of (b) is that the size and scope of the Bank Group's operations in a country, and, ipso facto, in developing countries as a whole, will be subject to constraints imposed by the terms on which resources become available to the Bank Group. As far as the Bank itself is concerned, the availability of resources depends and will continue to depend essentially on the willingness of governments of capital-exporting countries to give the Bank access to their capital markets as a borrower. These resources become available on market terms and can only be relent on terms that reflect such market terms. So far access to capital markets has not in practice imposed any substantial constraint on the size of the Bank's operations and there is no present reason to believe that it will do so in the future.

However, the availability of resources for IDA is determined by quite different factors, essentially the appropriation by governments of the Part I countries of funds for the periodic replenishment of IDA's resources. These resources are, in effect, grants to IDA by Part I member governments and can be lent to developing countries on very lenient terms. To the extent that the external financial pattern emerging from a country's developing strategy calls for finance on IDA terms rather than on Bank terms, limitations on the size of IDA's resources will limit the size and scope of the Bank Group's activities in that country. Because there are many developing countries that are not in a position to meet all their requirements for external finance on Bank terms, limitations on IDA's resources may impose a serious constraint on the future size and scope of the Bank Group's global operations, but it is obviously impossible to predict what the quantitative effects of this constraint might be at any particular future time.

It will be evident from the previous paragraphs that forecasting the level and scope of the Bank's activities, or their geographical distribution, for a period as long as a decade, would be an extremely hazardous business. The forecast would be dependent upon so many variables outside the control of the Bank, whose magnitudes themselves cannot be forecast with any reasonable degree of confidence, that the results of the exercise could only be stated with margins of error so large as to deprive them of any significance. Publication of any forecasts might give rise to expectations on the part of potential recipients of Bank financing that could not be fulfilled. On the other hand, if the Bank were to publish projections based on estimates of the amount of resources governments will be prepared to make available to TDA during the 1970's, it could justly be criticized for unwarranted anticipation of major political decisions on the part of its capital-exporting member governments. While the Bank must, of course, make forecasts of the level and scope of its operations for reasonable forward planning periods,

as a management tool, these forecasts by their very nature are subject to continual revision as the situation changes in one or another country in which the Bank expects to conduct operations in the months and years ahead. Figures emerging from such internal planning exercises as of any one date may be substantially different from those that would emerge a few months later and radically different from those that would emerge from a similar planning exercise carried out after another two or three years of operations. It would, therefore, be wholly misleading, even if it were otherwise possible, to provide figures derived from a current internal planning exercise as forecasts of the size and scope of the Bank's operations for any particular year as much as a decade in the future.

It may be of interest, however, to note what the Bank considered, as of September 1968, to be the probable expansion in the Bank Group's activities over the next 5 years if there were no shortage of funds and the only limit was the capacity of its member countries to use assistance effectively and to repay loans and credits on the terms on which they were made. With this in mind, we include the following extracts from the address of the President of the Bank to the Board of Governors on September 30, 1968:

"Let me begin by giving you some orders of magnitude. I believe that globally the Bank Group should during the next five years lend twice as much as during the past five years. This means that between now and 1973 the Bank Group would lend in total nearly as much as it has lent since it began operations 22 years ago.

"This is a change of such a degree that I feel it necessary to emphasize that it is not a change of kind. We believe that we can carry out these operations within the high standards of careful evaluation and sound financing that my predecessors have made synonymous with the name of the World Bank."

"Our five year prospect calls for considerable changes in the allocation of our resources, both to geographic areas and to economic sectors, to suit the considerably changed circumstances of today and tomorrow.

"First as to area: in the past the Bank Group has tended to concentrate its effort on the South Asian subcontinent. Much has been achieved — the harnessing of the waters of the Indus River system for power and irrigation for instance — and much remains to be achieved. I believe World Bank lending to Asia should rise substantially over the next five years. But is is not to Asia alone that our new effort will be directed. It is to Latin America and Africa as well, where in the past our activities have been less concentrated, and to some countries in great need of our help, such as Indonesia and the UAR, where our past activities have been negligible.

"In Latin America, I foresee our investment rate more than doubling in the next five years. But it is in Africa, just coming to the threshold of major investment for development, where the greatest expansion of our activities should take place. There, over the next five years, with effective collaboration from the African countries, we should increase our rate of investment threefold."

"Not only should our lending double in volume and shift geographically, but we can foresee, as well, dramatic changes among sectors of investment. Great increases will occur in the sectors of Education and Agriculture."

". . . we would hope over the next five years to increase our lending for Educational Development at least threefold.

"But the sector of greatest expansion in our five year program is Agriculture, which has for so long been the stepchild of development."

". . . our Agricultural dollar loan volume over the next five years should quadruple."

# Answers to Questions Addressed to the International Bank for Reconstruction and Development

1. This question asks what we consider the probable increase in net flows of financial resources to developing countries during the 1970's and how much of this we expect to take place through the Bank Group. As the phrasing of the question itself suggests, an answer could only be imagined in terms of alternative assumptions about "factors or attitudes" that will be determinative. "Attitudes" are not quantifiable and among the "factors" are such things as future balances of payments of capital-exporting and capital-importing countries, future government budget levels, future trends in world trade, future interest rates and a lot of other variables that it would be

futile to attempt to evaluate even a few years ahead. Consequently, the Bank does not believe it is possible to produce soundly based estimates of probable increases in resource flows over the decade of the '70's, or indeed to make a judgment as to whether there will be any increase at all. And it would be highly irresponsible, and a disservice to its member countries, for the Bank to place in circulation figures for which no sound basis in fact or in probability existed.

The reasons why the Bank cannot issue long-term projections concerning the size of its own operations have been covered in our answer to Questions 2, 3, and 4 addressed to all specialized agencies.

2. This question asks for our views as to the absorptive capacity of developing countries for an increase in the net flow of assistance from developed countries during the Decade. Many of the considerations referred to in our answers to Questions 2, 3, and 4 addressed to all specialized agencies also bear on the problems of making long-range forecasts of the absorptive capacity of developing countries as a group. While in connection with its continuing review of the economic progress of individual member countries the Bank at any given time would have a view, in general orders of magnitude, of a country's capacity to use external assistance on various terms, it seems to us that no useful purpose would be served by trying to quantify global absorptive capacity figures for as much as 5 or 10 years ahead.

There is, however, another way to approach this matter which may be more helpful. At its New Delhi conference the UNCTAD adopted the figure of 1% of gross domestic product as a target for the scale of financial assistance to be made available in various forms by the developed countries to the developing countries. Had this objective been achieved during 1967, the last year for which data are presently available, the equivalent of about \$15.1 billion

net would have been transferred in the form of "aid" instead of the \$11.9 billion net actually transferred by countries members of the DAC. The Bank believes that the developing countries could now absorb productively new external resources at least equal to what would correspond to the 1% of GDP of the developed countries as a group. We also believe, that on present prospects, their capacity to use external assistance productively will increase at least rapidly enough to enable them to utilize amounts corresponding to the 1% of GDP target during the years of the Second Development Decade. These considerations lead us to the conclusion that rather than attempting to reach any degree of precision with respect to the absorptive capacity of developing countries as a whole, it would be wise for governments and international agencies to concentrate, as a primary objective for the Second Development Decade, on reaching a level of annual net financial transfers from developed to developing countries at least equal to that indicated by the 1% of GDP target. Constraints on absorptive capacity undoubtedly exist and a continuing effort to reduce them must be a conscious concern of governments and international agencies. But in the Bank's judgment a level of net financial transfers consistent with the 1% of GDP target would be well within the absorptive capacity of the developing countries for the period of the Second Development Decade.

3.. This question requests the Bank's views on ways and means of making transfers of financial resources to developing countries more efficient. It seems useful to formulate the Bank's suggestions on this matter under several general headings.

# A. Extension of the Scope for International Competitive Bidding

It is probable that the most important element of inefficiency in present financial practices arises from the inability of developing countries

to use large portions of the financial assistance available to them for procurement from the most economical sources of supply. They are placed in this position because of the widespread application by capital-exporting countries of the practice of tying financial assistance to procurement in the country offering the assistance. Studies made by several developing countries show that the increased cost of capital equipment attributable to aid-tying is not a matter of a few percentage points, but very substantial.

It can be argued that, when financial transfers take the form of grants, the increased cost of goods attributable to tying is of no economic consequence to the recipient country. But even in such cases, limiting procurement to suppliers from one country may mean that the recipient must accept inappropriate or inferior equipment. And where such equipment is incorporated in a private industrial project, or a public project that is required to show a reasonable return on capital invested, at the stated cost, the prices of the goods or services ultimately produced will have to be correspondingly higher.

Additional and even more serious consequences arise, however, when the recipient has to borrow the tied money and pay interest and amortization thereon. If, because of aid-tying, a developing country must borrow \$1.5 million to purchase equipment or services which it could obtain elsewhere for \$1 million, its interest and amortization payments will be 50% higher than would be necessary to obtain \$1 million worth of capital assistance on the same nominal terms under competitive bidding procedures. It is obvious that the cumulative effects of aid-tying are, on the one hand, that a given volume of loans and/or grants finances less real transfer of resources than it would if more efficiently allocated, and, on the other hand, that

developing countries, as a whole, get less real development assistance than they might for the price they have to pay in the form of debt service.

The deleterious consequences of the spread of the practice of tying aid are fully recognized by officials of governments administering aid programs. Indeed, these consequences have been formally drawn to the attention of governments in a resolution adopted in 1965 by the DAC, meeting at ministerial level. Recognition that tied aid is inconsistent with the most efficient application of aid funds has not, however, been translated into positive measures to reverse the trend toward aid-tying. As some of the principal governments involved do not seem prepared at present to make a frontal attack on the problem, the Bank has been actively exploring techniques for combining tied financing with the practice of international competitive bidding so that, while national financing agencies would continue to finance only orders placed with suppliers in their respective countries, those suppliers would already have qualified as the most suitable source of equipment or services from the point of view of the borrower. The Bank also cooperates with the DAC Working Party on Financial Aspects of Development Assistance which is addressing itself to ways and means of mitigating the adverse effects on borrowers of aid-tying.

## B. Increased Continuity in Aid Programs

It is evident to anyone familiar with the present pattern of development assistance that there is an incompatibility between the nature of the development process in less developed countries and the manner in which development finance is made available to them. The development process is, of course, continuous. It does not stop at the end of a fiscal year or even the end of a plan period. The ability of governments to influence the

process depends on their ability to plan for continuous streams of investments in the various key sectors of the economy and of in-puts to maintain efficient operation of capacity created by those investments. Their ability to plan intelligently is seriously hampered by their inability to count on commitments of external financial support for their development programs for more than a few months ahead. It is sometimes argued that, because of the well-known lag between commitments and disbursements involved in most types of development finance, recipient countries, in practice, have a reasonably clear idea of what amounts will be available to them for several years ahead. This argument ignores the heart of the problem, which is that unless the authorities in the developing countries can themselves maintain a continuing flow of commitments, in the form of investment decisions, there will be serious discontinuities in economic growth. And as matters stand today, the authorities in most developing countries have to make such commitments on the basis of hopes and expectations rather than firm knowledge of the external financial resources that will be made available by aid suppliers two, three, or four years in the future.

The underlying reason for this unsatisfactory situation is, of course, that administrators of most bilateral aid programs are unable to make commitments for more than one year ahead. Their programs are financed by national budgets which normally do not permit long-term commitments in support of development programs in recipient countries.

Much of the inefficiency that arises from the stop-go nature of most present bilateral aid programs could be removed if legislatures could be persuaded to recognize the need for continuity in aid flows and extend the authority of aid administrators to make at least tentative and conditional commitments for several years ahead. This is easy to state but difficult to

envisage as a practical political possibility for most donor governments. The Government of the Netherlands has, however, made an important step forward by programming its development assistance for four years ahead, thus enabling it to give recipients of Dutch aid indications of the probable scale of its commitments for more than a year ahead. It should be possible in connection with the discussions of strategy for D.D. II to promote increasing awareness of the incompatibility between the inherent long-term nature of the development process and the restrictions on national aid administrations that make only short-term commitments possible.

# C. Improved Administration for Dealing with External Assistance in Recipient Countries

The Bank finds wide differences among developing countries in their capacities for efficient handling of the external assitance available to them. Some countries have well-established and well-administered machinery for directing finance to priority projects, avoiding overcommitment of resources to one or two sectors, preventing single ministries or autonomous agencies from accepting unwise financial commitments or accepting external finance for poorly conceived or low priority projects, negotiating effectively with various potential sources of finance and technical assistance, and directing pre-investment activities into productive charmels. In some countries, on the other hand, these matters are still handled in a haphazard manner, which often leads to frustration on the part of donors and recipients alike. It would not be useful to attempt to generalize concerning methods of eliminating this source of inefficiency. What can be said, on the basis of experience, is that where the political determination to make the best use of external assistance exists, it is possible to obtain technical assistance for the purpose of improving the administration of aid within recipient countries

and that such technical assistance should be used to an increasing extent.

The Bank is already assisting several of its member countries to improve their machinery for utilizing external assistance and is prepared to enlarge its activities in this field.

## D. Better Access to Capital Markets

The efficiency of capital market institutions in the developed countries affects the transfer of resources to the less developed countries, both directly and indirectly. Some less developed countries are able to borrow on their own credit. Such countries would benefit from easier access to capital markets and from better and cheaper machinery for distributing securities to potential investors. All capital exporting countries restrict access to their markets by foreign borrowers for reasons that have nothing to do with capital movements between developed and developing countries. Some governments grant some less developed countries preferential access to their capital markets. But there is no uniformity of practice and it would seem possible, perhaps through joint action, to extend the scope of this preferential treatment to all creditworthy developing countries and their agencies and subdivisions.

The developing countries as a whole would also benefit indirectly from improvements in the markets for the bonds of the World Bank and other multi-lateral development finance institutions. High issuing costs and poorly developed systems of distribution result in these institutions being able to place only small issues in some countries, and, in other countries, practically exclude them from what should be significant markets for their obligations. Methods of broadening and modernizing capital market machinery, especially in Western Europe, could contribute significantly to the efficiency with which financial transfers from developed to less developed countries can take place.

## E. More Flexible Aid Policies

There are a number of other characteristics of present aid programs that reduce the efficiency with which a given amount of development assistance can be employed by recipient countries. In a general way, these factors may be attributed to the lack of sufficient flexibility for aid administrators to adapt their programs to the priority requirements of developing countries as a whole, and of particular recipient countries. The geographical allocation of aid is subject to constraints imposed by a variety of considerations, such as historical connections between donors and recipients, strategic considerations and, in the case of the multilateral institutions, the restriction of their activities to their member countries. In no case do aid administrators have a completely free hand to allocate assistance to the Third World as a whole exclusively on the basis of such developmental criteria as absorptive capacity, economic performance, or one or more indexes of "need." The institutions of the World Bank Group are the least subject to such geographical constraints because of the very wide, though not universal, membership of developing countries in those institutions, and the absence of any noneconomic criteria for the allocating of their resources among member countries.

Elements of inflexibility that affect the adaptability of aid to the requirements of particular countries include restrictions of assistance to particular kinds of projects, or to one or a few economic sectors and, of course, restrictions on the terms of aid. Another important source of inflexibility has been limitations on the ability of donors to assist countries whose need, over a certain period, is for external finance that will enable them to maintain or increase the rate of utilization of existing industrial capacity rather than for assistance in increasing capacity. For such

countries, a greater degree of flexibility in granting so-called program loans, or in financing the local currency component of projects, as opposed to financing restricted to the foreign exchange component of capital projects, would lead to more efficient application of external assistance.

In general, it can be safely asserted that if aid administrators were given more freedom to tailor their programs to the clear priority requirements of recipients, rather than basing them on a priori rules as to the form, terms and direction of aid, greater all-around efficiency in the transfer of rescurces to developing countries would result. It is becoming increasingly possible to identify such priority requirements. Improved economic management and planning in many developing countries are enabling them to identify and quantify the types of external finance likely to be most effective in supporting their development programs over the short and medium term as well as to present a clearer picture of an appropriate long-term strategy for them, and for those government and international agencies willing to assist them. The continuing review of member countries' problems and prospects by the World Bank and other multilateral agencies is steadily increasing the fund of knowledge and experience available to aid administrators. Finally, through consultative groups, consortia and other aid coordination machinery, governments, multilateral agencies and aid recipients are, to an increasing extent, arriving at common understandings about priority needs and appropriate financial terms on the basis of which all concerned with a country development effort can, if not subject to too many constraints, base policies and decisions.

4. This question asks how, in the light of experience gained in the past few years, we would reappraise the advantages and disadvantages of bilateral and multilateral aid for the parties concerned and the possibility of combining these two forms in order to increase the efficiency of aid.

It is difficult to generalize about multilateral and bilateral aid.

The number of donor countries and of international organizations involved is large, and the variety of programs is considerable; some difference of approach rices more from pragmatism than from inherent distinctions of principle; and in any case, what may be an advantage in one set of circumstances can easily be a disadvantage in another.

Multilateral and regional organizations still derive much of their potential from the simple fact that they are international. They need not reflect the mixture of motives that may blur the objectives and effectiveness of bilateral aid. They do not press for the diplomatic, commercial or military advantages that sovereign states have tended to seek from development aid; they are less likely to be under short-term pressures and, as compared to any single bilateral program, may be less subject to interruptions arising from international disagreements or national politics. They are able to pay more regard to strictly developmental criteria of operations, to apply more continuous effort to long-range development programs, and to be attentive to developing countries which, for want of historical or diplomatic links to donor countries, might otherwise be neglected. Relative to the amount of resources the international institutions are able to supply, they may be more effective in achieving development objectives.

The international character of the multilateral institutions also gives them access to a wide range of knowledge and skills. Regional institutions, for example, are uniquely placed to help conceive and realize opportunities for regional development and regional economic cooperation. Development finance provided by multilateral and regional institutions, since it commonly bases the procurement of goods and services on international competitive

bidding, and thus enables the recipient to buy from the most economical source of supply, is considerably more valuable to developing countries than most bilateral aid, in which nearly all procurement is limited to individual donor countries. (See answer to Question 3 addressed to the Bank.)

International organizations are politically neutral in principle, and in their governing bodies include representatives both of developed and of developing nations. They have therefore been entrusted with tasks which might not be as well or as acceptably performed bilaterally. They have been the logical leaders of consortia, consultative groups and other cooperative arrangements formed for the purpose of coordinating aid to individual developing countries. Small countries among the developed nations have chosen to channel much of their aid through multilateral organizations, in preference to creating comprehensive aid administrations of their own. Representatives of multilateral organizations have filled advisory or executive posts in the developing countries in which nominees of developed countries probably would not have been equally welcome; and it may be easier for developing countries to make politically difficult decisions on the basis of advice from an international agency than from a national government.

The financial resources available to multilateral organizations, however, are much smaller than the total deployed by national agencies. Paucity
of resources has made it difficult for international institutions to keep
from spreading their efforts too thinly. It may also make these institutions
more cautious, less innovative and slower to act than otherwise might be the
case.

Bilateral programs serve the national interests of donor countries more visibly than multilateral programs, and it has been easier, on the whole, to muster public and financial support for them. Bilateral programs in total

not only command larger resources, but typically are concentrated in fewer recipient countries. Within a particular developing country, they may represent a more comprehensive assistance effort than a multiplicity of small multilateral undertakings.

Bilateral programs, since they deal with political and other nondevelopmental objectives, also have the possibility of being more flexible
in form and administration, more experimental in nature, and more quickly
responsive to emergencies or unexpected opportunities. Bilateral aid, for
example, has provided most of the program (i.e., non-project) aid received
by developing countries, while multilateral institutions for the most part
have given their capital assistance in the more traditional form of project
finance.

Special relationships between countries may also enhance bilateral programs. The assistance given by metropolitan nations to former overseas territories, based on long and often unique experience, has been administratively and technically expert, and has been given on a scale larger than could have been expected of multilateral programs. Countries with highly developed technical and economic specialities also are able to give technical assistance of particular value in their chosen fields; and some of these have preferred to carry on their own technical assistance programs at the same time as they channel funds for the purchase of capital goods through multiplateral organizations.

Bilateral and multilateral aid can be effectively combined. Examples are mentioned in response to Question 3 addressed to the Bank: groups formed to coordinate the assistance of donor nations and international organizations in a single country; and joint financing of projects by national and international institutions.

Combinations of project financing by a multilateral agency and bilateral technical assistance for the implementation of the project are becoming quite common. The World Bank actively seeks technical support from national agencies in connection with many of its projects in education, agriculture and transportation. While international teams of experts may provide insurance against distortions of technical assistance in the narrow interests of one donor country, this insurance can be effectively provided by placing national teams under the supervision of a multilateral agency, while retaining the very considerable advantages of ease of intercommunication, common technical backgrounds, common understanding of institutional problems and other features that enhance the efficiency of national teams.

A growing number of ways are being found in which bilateral and multilateral aid can be combined in order to have some of the advantages of each. In any case, the need is clearly not to have more of one and less of the other; the need is to have more of both.

Development Services Department International Bank for Reconstruction and Development

October 23, 1968



# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



# INTERNATIONAL DEVELOPMENT ASSOCIATION Cable Address-INDEVAS

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3-6360

November 4, 1968

Dear Mr. de Seynes:

I refer to Mr. McNamara's letter of October 30, 1968, enclosing a statement of the Bank's response to a series of questions concerning the preparatory work on the Second UN Development Decade. In the interest of technical accuracy, we have decided to make a small corrigendum in the Bank's statement which I enclose. I have sent 50 copies of the corrigendum to Mr. Mosak.

Sincerely,

Michael L. Hoffman
Associate Director
Development Services Department

Enclosure

Mr. Philippe de Seynes Under-Secretary-General for Economic and Social Affairs United Nations, New York 10017

MAN - Dev. Decade.

November 4, 1968

Dr. Raul Prebisch
Secretary-General
United Nations Conference on
Trade and Development
Palais des Nations
Geneva, Switzerland

Dear Dr. Prebisch:

I enclose a copy of a self-explanatory letter to Mr. de Seynes. I would appreciate it if you could make the necessary changes in the paper that has been sent to you.

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures - 2

MLHoffman/pnn

no - Dev. Dec.

November 4, 1968

Mr. Robert Asher Brookings Institution 1775 Massachusetts Ave., N. W. Washington, D. C.

Dear Bob:

I enclose a copy of a self-explanatory letter to Mr. de Seynes. I would appreciate it if you could make the necessary changes in the paper that was given to you.

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures - 2

MLHoffman/pnn

Mr. Ernest Stern

Michael L. Hoffman

United Nations - Second Development Decade

I attach a copy of a self-explanatory letter to Mr. de Seynes.

I would appreciate it if you could make the necessary changes in the paper that has been sent to you.

MLHoffman/pnn

mest.

Mr. Dev. Decade

November 4, 1968

Mr. David A. Morse Director-General International Labour Office 154, rue de Lausanne Geneva, Switzerland

Dear Dave:

I enclose a copy of a self-explanatory letter to Mr. de Seynes. I would appreciate it if you could make the necessary changes in the paper that has been sent to you.

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures - 2

MLHoffman/pnn

action

Dr. Michael R. Sachs Chief of Program Coordination Unit World Health Organization Avenue Appia 1211 Geneva 27 Switzerland

Dear Dr. Sachs:

I enclose a copy of a self-explanatory letter to Mr. de Seynes. I would appreciate if it you could make the necessary changes in the paper that has been sent to you.

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures - 2

MLHoffman/pnn

Mr. Malcolm S. Adiseshiah
Deputy Director-General
United Nations Educational, Scientific
and Cultural Organization
Place de Fontenoy
Paris VIIe, France

Dear Malcolm:

I enclose a copy of a self-explanatory letter to Mr. de Seynes. I would appreciate it if you could make the necessary changes in the paper that has been sent to you.

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures - 2

MLHoffman/pnn

au No.8

Mr. Pierre Terver
Assistant Director-General
Programme and Budget
Food and Agriculture Organization
of the United Nations
Via delle terme di Caracalla
Rome, Italy

Dear Mr. Terver:

I enclose a copy of a self-explanatory letter to Mr. de Seynes. I would appreciate it if you could make the necessary changes in the paper that has been sent to you.

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures - 2

MLHoffman/pnn

ach noo 11

Mr. Arthur Karasz
Director
European Office
International Bank for Reconstruction
and Development
4 Avenue d'Iena
Paris 16e, France

Dear Arthur:

I enclose a copy of a self-explanatory letter to Mr. de Seynes. I would appreciate it if you could make the necessary changes in the papers that have been sent for your and Parsons' use.

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures

MLHoffman/pnn

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Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosure

Mr. Philippe de Seynes Under-Secretary-General for Economic and Social Affairs United Nations, New York 10017

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Mr. Cope:

I attach a copy of a self-explanatory letter to Mr. de Seynes. I would appreciate it if you could make the necessary changes in the paper that has been sent to you.



# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



no - Dev. Decade

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Sincerely,

Michael L. Hoffman
Associate Director
Development Services Department

Enclosure

Mr. Philippe de Seynes Under-Secretary-General for Economic and Social Affairs United Nations, New York 10017

### CORRIGENDUM

IBRD Answers to UN Questions on Second Development Decade dated October 23, 1968

In the sentence at the bottom of Page 7 and the top of Page 8 delete the words "are, in effect, grants to TDA by Part I member governments and can" and substitute the words "are made available to IDA without any requirement for the payment of interest or amortization and can therefore"

Development Services Department International Bank for Reconstruction and Development

November 4, 1968

October 31, 1968

e U.N. on preparation ons posed to the Fank

Mr. Barend de Vries

Andrew M. Kamarck

Estimates of Dobt Scrvicing Furden

In the questionnaire that we received from the U.N. on preparation for the Second Development Decade, one of the questions posed to the Bank was se follows:

"5. What estimates do you have of the debt servicing burden of the developing countries in the 1970's?"

In sending the enswers to the other questions to the U.N., Mr. McNamara in his letter of October 30 to Mr. de Saynes said:

"We will need a little more time to prepare the answer to question 5 addressed to the Bank concerning the debt service burdens of the developing countries, but we expect to forward the reply to this question well before your deadline of January 2, 1969."

I asked Mr. Bulley on October 11 to take on this question. Under the new set-up as of November 1, however, it seems to me that responsibility for this falls in your unit. I would assume that you would be in direct touch with Mr. Hoffman on this. He has been coordinating the answers that have been sent to the U.N. on the Second Development Decade.

cc: Mr. Friedman Mr. Hoffman

Alik/vhu

UN. Dev. Dec.

October 31, 1968

Mr. Malcolm S. Adiseshiah
Deputy Director-General
United Nations Educational, Scientific
and Cultural Organization
Place de Fontenoy
Paris VIIe, France

Dear Malcolm:

I am sure that you, like we, have been struggling with the questionnaire distributed by Philippe de Seynes in connection with the preparatory work for the Second Development Decade. I thought you might be interested in seeing what we have been able to prepare in the way of answers and, therefore, I enclose for the confidential information of you and appropriate members of your staff copies of Mr. McNamara's letter to Mr. de Seynes and a paper setting forth the Bank's present views on various issues connected with DD II.

With best wishes,

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures - 2

MLHoffman/pnn

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Oen Marig

October 31, 1968

Dr. Raul Prebish
Secretary-General
United Nations Conference on
Trade and Development
Palais des Nations
Geneva, Switzerland

Dear Dr. Prebisch:

I thought you might be interested in seeing the Bank's reply to the questionnaire recently circulated by the United Nations in preparation for the Second Development Decade. Accordingly, I enclose copies, for the confidential use of yourself and appropriate members of your staff, of Mr. McNamara's letter to Mr. de Seynes and a paper setting forth the Bank's present views on various issues connected with D.D. II.

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures - 2

MLHoffman/pan

acr NOV. 27/18

Mr. Ernest Stern

Michael L. Hoffman

United Nations - Second Development Decade

I enclose for your confidential information a copy of the Bank's response to a recent questionnaire circulated by the United Nations in connection with the preparatory work for the Second Development Decade. I also enclose the questionnaire and the outline of strategy to which our paper is a response.

Our general position is that the right thing for the U.N. to do is to approach D.D. II as a potentially significant public relations exercise designed to produce a broad manifesto that will stimulate governments of both rich and poor countries to adopt and implement realistic strategies designed to speed up the pace of development. We believe that if an effort is made to get governments, through the General Assembly, to make any sort of hard commitments to global quantitative targets and specific policies, the whole exercise will end in frustration, will do more harm than good to the development effort, and will cast discredit on the U.N. In this we differ sharply from the Tinbergen committee approach. You will also note that we have given Mr. de Seynes what I prefer to call a response rather than replying directly to the questions as formulated. If we had taken the literal approach, as the Fund did, we would have simply had to say on most of them that we were not in a position to reply to the questions as formulated. We have felt that we should be as helpful to Mr. de Seynes as possible in the very difficult position in which he finds himself.

MLHoffman/pnn///

October 31, 1968

Mr. David A. Morse Director-General International Labour Office 154, rue de Lausanne Geneva, Switzerland

Dear Dave:

I am sure that you, like we, have been struggling with the questionnaire distributed by Philippe de Seynes in connection with the preparatory work for the Second Development Decade. I thought you might be interested in seeing what we have been able to prepare in the way of answers and, therefore, I enclose for the confidential information of you and appropriate members of your staff copies of Mr. McNamara's letter to Mr. de Seynes and a paper setting forth the Bank's present views on various issues connected with DD II.

With best wishes,

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures - 2

MLHoffman/pnn

nifet.

July 1/21

October 31, 1968

Dr. Michael R. Sachs
Chief of Program Goordination Unit
World Health Organization
Avenue Appia
1211 Geneva 27
Switzerland

Dear Dr. Sachs:

The Bank, along with other specialized agencies, recently received a questionnaire from the United Nations in connection with the preparatory work leading up to the Second Development Decade. Mr. McNamara has recently transmitted to Mr. Philippe de Seynes, Under-Secretary-General for Economic and Social Affairs, a statement of the Bank's present position on some of the issues raised in connection with the Second Development Decade. It occurs to me that as you are presumably engaged in a similar exercise, the Bank's response may be of interest and, accordingly, I enclose a copy for use on a confidential basis within your organization.

Sincerely,

Michael L. Hoffman
Associate Director
Development Services Department

Enclosure

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Ref: EC 123(2-2-1)

October 31, 1968

Dear Mr. de Seynes:

On behalf of Mr. McNamara, I am writing to acknowledge receipt of your letter dated October 28, 1968, inviting the Bank to be represented at the meeting of the ACC Sub-Committee on the United Nations Development Decade to be held in New York from November 18 to 20, 1968.

I am pleased to inform you that the Bank will be represented at this meeting by Mr. Michael L. Hoffman, Associate Director, Development Services Department.

Sincerely yours,

Federico Consolo Special Representative for United Nations Organizations

Mr. Philippe de Seynes Under-Secretary-General for Economic and Social Affairs United Nations New York, 10017

cc: Mr. Hoffman (with copy of incoming letter)
Central Files with original of incoming letter

FC: amcd.

(ch) - Ded Decorde

October 31, 1968

Mr. Pierre Terver
Assistant Director-General
Programme and Budget
Food and Agriculture Organization
of the United Nations
Via delle terme di Caracalla
Rome, Italy

Dear Mr. Terver:

I am sure that you, like we, have been struggling with the questionnaire distributed by Philippe de Seynes in connection with the preparatory work for the Second Development Decade. I thought you might be interested in seeing what we have been able to prepare in the way of answers and, therefore, I enclose for the confidential information of you and appropriate members of your staff copies of Mr. McNamara's letter to Mr. de Seynes and a paper setting forth the Bank's present views on various issues connected with D.D. II.

With best wishes,

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

Enclosures - 2

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FORM No. 26 (6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR INTERNATIONAL FINANCE RECONSTRUCTION AND DEVELOPMENT CORPORATION

#### INCOMING CABLE

DATE AND TIME

OF CABLE:

OCTOBER 31, 1968

LOG NO.:

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TO:

INTBAFRAD

FROM:

PARIS

ROUTING

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ACTION COPY: MR. HOFFMAN

INFORMATION

COPY:

DECODED BY:

TEXT:

1158 FOR HOFFMAN

REUR 1 SEE NO OBJECTION TO EXCHANGING DESEYBES LETTER WITH OTHER AGENCIES. SUGGEST WE CONSIDER DOING IT ON OUR OWN INITIATIVE WITHOUT AWAITING REQUEST

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OCTOBER 31, 1968

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GENERAL FILES COMMUNICATIONS

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CN - DW. Dec

October 31, 1968

Mr. Arthur Karasz
Director
European Office
International Bank for Reconstruction
and Development
4 Avenue d'Iena
Paris 16e, France

Dear Arthur:

You will have seen Dick's telex of today about giving the Specialized Agencies copies of our reply to the UN's D.D. II questionnaire. In case you or he have not already done so, I suggest that you give Parsons a copy, asking him to keep it on a fairly short leash within the Secretariat. I enclose a copy for the purpose in case you have not already made one.

Sincerely,

Michael L. Hoffman Associate Director Development Services Department

P.S. I also enclose copies of the UN documents in case they do not have them.

MLHoffman/pnn

MAN

Dear Mr. de Seynes:

In reply to your letter of July 24, 1968, and enclosures relating to the preparatory work for the Second United Nations Development Decade, I am pleased to send you herewith a paper setting forth the Bank Group's position and views in response to the questions formulated by the Committee for Development Planning (Conference Room Working Paper 2/Rev. 1). In preparing this paper we have tried to be as informative as possible on the substance of the various matters covered. As you will see, it has not always been possible to provide precise answers to the questions as formulated, particularly those addressed to all specialized agencies, many of which are couched in terms that make them inapplicable to the operations of the Bank Group.

We will need a little more time to prepare the answer to question 5 addressed to the Bank concerning the debt service burdens of the developing countries, but we expect to forward the reply to this question well before your deadline of January 2, 1969. Meanwhile, we thought you might find it useful to have our responses to the other questions as soon as possible. We will, as you request, send 50 copies of our paper to Mr. Mosak under separate cover.

Sincerely,

(Signed) Robert S. McNamara
Robert S. McNamara

Mr. Philippe de Seynes Under-Secretary-General for Economic and Social Affairs United Nations, New York 10017

UN-Dw. Decade

October 30, 1968

Dear Mr. de Seynes:

In reply to your letter of July 24, 1968, and enclosures relating to the preparatory work for the Second United Nations Development Decade, I am pleased to send you herewith a paper setting forth the Bank Group's position and views in response to the questions formulated by the Committee for Development Planning (Conference Room Working Paper 2/Rev. 1). In preparing this paper we have tried to be as informative as possible on the substance of the various matters covered. As you will see, it has not always been possible to provide precise answers to the questions as formulated, particularly those addressed to all specialized agencies, many of which are couched in terms that make them inapplicable to the operations of the Bank Group.

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Sincerely,

(Signed) Robert S. McNamara
Robert S. McNamara

Mr. Philippe de Seynes Under-Secretary-General for Economic and Social Affairs United Nations, New York 10017

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October 30, 1968

Mr. Goodman:

In view of the probability that many members of the Bank's staff will come in contact with one or another aspect of the preparatory work for the Second UN Development Decade and the skirmishing that accompanies it, I think you will want to read the enclosure to Mr. McNamara's letter to Mr. de Seynes of October 30, 1968, which contains important statements of Bank positions on a number of the issues involved.

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October 30, 1968

Dear Mr. de Soymou:

In reply to your letter of July 24, 1968, and enclosures relating to the preparatory work for the Second United Nations Development Decade, I am pleased to send you harewith a paper setting forth the Bank Georg's position and views in response to the questions formulated by the Condition for Development Planning (Conference Boom Working Paper 2/Tev. 1). In preparing this paper we have tried to be an informative as possible on the substance of the various matters covered. As you will see, it has not clumys been possible to provide possible anceses to the questions as formulated, particularly those aldressed to all specialized againess, many of which erecounted in terms that make their inapplies blo to the operations of the Bank Group.

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Sincerely,

(Signod) Mohert S. Hollamara Robert S. Mollomara

Fir. Philippe de Soymes Undor-Secretary-Commai for Recognic and Secial Affaire United Hatique, New York 10017

Circulated

### SECOND DEVELOPMENT DECADE

Ref: Mr. Philippe de Seynes letter of July 24, 1968, and Conference Room Working Paper 2/Rev. 1 of July 8, 1968

### Answers to Basic Questions Addressed to all Specialized Agencies

1. This question asks for our views on the preliminary sketch of international development strategy in the 1970's (as set forth in Conference Room Working Paper ///Rev. 1).

Our comments on the preliminary sketch are divided into three categories: first, some technical comments on the presentation of the proposals in the sketch; second, some doubts as to the feasibility of this whole approach; and finally, some suggestions as to an alternative approach that might be considered.

### A. <u>Technical Comments</u>

The paper does not clearly separate objectives or targets from the instrumental policies to put them into effect. For example, the second sentence in the sketch appears to list among the targets "an increase in non-agricultural employment." Increase in non-agricultural employment has accompanied growth in GNP in most countries and, perhaps, could be regarded as an instrumental means to secure a rise in GNP. Considered as a final objective, however, countries could fairly easily attain it by putting people to work building pyramids, for example. (Even as an instrumental means in some circumstances it might be questionable -- for instance, some countries worry about too large a growth in employment in petty trade and other services.)

Once targets are clearly disentangled and separated from instrumental policies and listed as such, then -- if the approach of the sketch of trying to set uniform targets for all countries is followed -- it appears to us there is a need to provide some ranking or weighting of the targets or some guidance as to how to compromise among them. For example, it may be quite possible that a country may have to decide between investment designed to increase the numbers receiving primary education, which could be expected to upgrade the level of productivity of the whole economy over a period of, say, one generation, or investment in a factory or mine that will result in an increase in GNP within a year or two. The same sort of problem arises where quicker growth in agricultural output might come from concentrating investment on a few farms, but only at the expense of a more equitable distribution of income.

### B. Comments on General Approach

We doubt very much that it is possible to lay down a single set of targets and instrumental policies that are desirable and effective in each developing country. The heterogeneity of the developing countries and the variety of problems faced by them can hardly be over-emphasized. They differ tremendously in the stage of development they have reached, in their natural resources and the obstacles presented by nature to development, in the compatibility of their institutions to development, in the attitudes of the people and their endowment of skills and experience, etc. It is not surprising that the sketch left blank the minimum calories per day needed per capita of food intake. Minimum needs vary with the climate and body size. Also left blank were the proposed increases in protein intake per day and in the reduction of the death rate. It might well be that a 10% increase in protein intake in a country where people are already getting, say, 95% of their protein needs may be excessive, whereas a 10% increase in a country where people

are only getting 50% of their needs would be far short of what should and could be achieved.

In some countries, due to the youth of the population, the average death rate is already below that of the industrialized countries. In these countries an improvement in the age-specific death rates could still be accompanied by an increase in the over-all death rate as the average age of the population increases.

There are similar problems about setting a single minimum rate of 3.5-4% per annum growth in per capita GNP during the 1970's. Some countries could attain this without too much difficulty by the beginning of the 1970's; others if they do extremely well might still fall short of achieving such a rate on the average "during the nineteen seventies." Should the latter regard themselves as failures -- even though they are performing extremely well?

## C. Suggested Alternative Approach

In the light of the practical impossibility of compressing all developing countries into a common mold, it seems to us that it might be wise to consider an alternative approach to a strategy for the development decade. In broad outline, this might be composed of three main elements:

(i) The first would be a set of growth targets that each developing country would set for itself as a feasible objective which it could achieve by the end of the second development decade. The target for each country would be chosen within specified limits laid down by the U.N. in the strategy paper as feasible for broad categories of countries. For example, countries that have consistently attained a growth of 10% or more in their GNP per year would not be expected to set higher targets for the second development decade. Countries that have had growth rates of, say,

4-6%, would not be expected to set targets for themselves that were more than, say, %% higher except in extraordinary circumstances; countries under 4% would set targets that were up to Y% higher, etc. The basis of this approach is that it is not reasonable to expect all countries to be able to set the same figure as a feasible target, nor can international agencies set the targets for the different countries -- the growth target for each country must be set by itself.

- (ii) Supplementing the growth targets, there would be a list of subjects on each of which the developing countries would be asked to state what action, if any, it would need to take during the decade as a way of attaining the growth target it had chosen for itself. Among the items covered would be such subjects as land reform (where this is necessary), family planning, tax structure and administration, growth of savings, education, planning procedures, etc.
- (iii) Finally, each LDC would be asked to work out a realistic investment program covering the first half of the decade. This program would be expected to fit in with the targets to be achieved by the end of the decade and would be expected to be consistent with the list of policy measures to be undertaken as mentioned above. The appropriate international agencies should be prepared to provide technical assistance to the less developed countries in this task where necessary. Both the LDC's and the developed countries would be asked, as far as possible, to quantify targets and to establish the timetable for the actions to be taken. The Secretary-General would be asked to communicate with each government concerned, after an appropriate interval, to obtain a brief report on action taken under these headings.

(iv) For their part, the developed countries would also be asked to submit statements on another series of subjects. These would consist of the convergent measures necessary to help the developing countries grow. Among the matters covered here would be the date by which the country plans to achieve the 1% of GNP target for flow of aid to the LDC's; its target and the date for achieving it, for the percentage of GNP it will make available in official aid; the actions that it will take to remove particular trade restrictions and to grant trade preferences to the LDC's; the program of technical assistance that it will make available, etc.

2, 3, and 4. After careful consideration of the various issues raised by these questions, the Bank has concluded that it could most effectively respond to them as a group by explaining the factors that are likely to determine the size and scope of its activities during the 1970's rather than by attempting to deal with each question separately. Indeed, because these are questions addressed to several specialized agencies, each with a different structure, scope of activity, and method of operation, many of them are couched in a form that would make it almost impossible for the Bank, which is a development finance institution, to give a direct answer. To give only one illustration, it would be quite impossible for the Bank to estimate the effects on its operations by the late 1970's of an average growth rate of 6% for all developing countries as compared to an average growth rate of 6% for all developing countries (question 2). The size and scope of the Bank's operations are not responsive in any identifiable manner to changes in global average growth rates.

The basic strategy that will determine the size and scope of the Bank's operations for any period can only be defined in the context of a particular country, with due regard being paid to influences emanating from any regional

economic arrangements that may be in force or in prospect. On the basis of periodic examinations of a country's economic position and prospects and of a continuing dialogue between the Bank and the authorities responsible for economic policies and planning, the Bank endeavors to reach an understanding with the country as to its investment strategy. It is in the nature of the development process that these judgments cannot stand unaltered for very long periods of time. They must be reviewed continually; on the basis of such reviews operational decisions are made concerning the most effective manner in which the Bank can contribute to the country's development. Thus ideally, and to an increasing extent in practice, the Bank's operations are based on a development strategy for each country, arrived at in agreement with the responsible authorities of the country, and consistent with the financing methods open to the Bank under the Articles of Agreement and the policies approved by the Executive Directors.

Decisions concerning an appropriate volume and distribution of Bank financing that emerge from the process briefly outlined above, are subject to three important and interrelated kinds of constraints, none of which can be quantified with any great degree of confidence for the purpose of making projections as far ahead as the end of the 1970's.

(a) The Bank Group is not the only source and not even the only multilateral source of development finance for the less developed
countries. The size and scope of its operations are bound to be
affected by the size and scope of bilateral aid programs, private
capital flows, and the operations of other development finance
institutions, bilateral and multilateral. There is, therefore, a
need for continuing coordination at various levels and the nature
and scope of the Bank's activities in any country are bound to reflect the results of such efforts at coordination.

- (b) The Bank's ability to implement a program of lending appropriate to an agreed development strategy for a country may be limited by that country's capacity for servicing external debt. Debt servicing capacity is one of the features of the national economy that is under constant review by the Bank. It is also obviously influenced by changes in the terms and conditions of development finance available from other sources, mentioned under (a) above. Debt servicing capacity certainly cannot be predicted on the basis of assumed annual average growth rates for a country, much less for LDC's as a whole.
- (c) A direct consequence of (b) is that the size and scope of the Bank Group's operations in a country, and, ipso facto, in developing countries as a whole, will be subject to constraints imposed by the terms on which resources become available to the Bank Group. As far as the Bank itself is concerned, the availability of resources depends and will continue to depend essentially on the willingness of governments of capital-exporting countries to give the Bank access to their capital markets as a borrower. These resources become available on market terms and can only be relent on terms that reflect such market terms. So far access to capital markets has not in practice imposed any substantial constraint on the size of the Bank's operations and there is no present reason to believe that it will do so in the future.

However, the availability of resources for IDA is determined by quite different factors, essentially the appropriation by governments of the Part I countries of funds for the periodic replenishment of IDA's resources. These resources are, in effect, grants to

IDA by Part I member governments and can be lent to developing countries on very lenient terms. To the extent that the external financial pattern emerging from a country's developing strategy calls for finance on IDA terms rather than on Bank terms, limitations on the size of IDA's resources will limit the size and scope of the Bank Group's activities in that country. Because there are many developing countries that are not in a position to meet all their requirements for external finance on Bank terms, limitations on IDA's resources may impose a serious constraint on the future size and scope of the Bank Group's global operations, but it is obviously impossible to predict what the quantitative effects of this constraint might be at any particular future time.

It will be evident from the previous paragraphs that forecasting the level and scope of the Bank's activities, or their geographical distribution, for a period as long as a decade, would be an extremely hazardous business. The forecast would be dependent upon so many variables outside the control of the Bank, whose magnitudes themselves cannot be forecast with any reasonable degree of confidence, that the results of the exercise could only be stated with margins of error so large as to deprive them of any significance. Publication of any forecasts might give rise to expectations on the part of potential recipients of Bank financing that could not be fulfilled. On the other hand, if the Bank were to publish projections based on estimates of the amount of resources governments will be prepared to make available to TDA during the 1970's, it could justly be criticized for unwarranted anticipation of major political decisions on the part of its capital-exporting member governments. While the Bank must, of course, make forecasts of the level and scope of its operations for reasonable forward planning periods,

as a management tool, these forecasts by their very nature are subject to continual revision as the situation changes in one or another country in which the Bank expects to conduct operations in the months and years ahead. Figures emerging from such internal planning exercises as of any one date may be substantially different from those that would emerge a few months later and radically different from those that would emerge from a similar planning exercise carried out after another two or three years of operations. It would, therefore, be wholly misleading, even if it were otherwise possible, to provide figures derived from a current internal planning exercise as forecasts of the size and scope of the Bank's operations for any particular year as much as a decade in the future.

It may be of interest, however, to note what the Bank considered, as of September 1968, to be the probable expansion in the Bank Group's activities over the next 5 years if there were no shortage of funds and the only limit was the capacity of its member countries to use assistance effectively and to repay loans and credits on the terms on which they were made. With this in mind, we include the following extracts from the address of the President of the Bank to the Board of Governors on September 30, 1968:

"Let me begin by giving you some orders of magnitude. I believe that globally the Bank Group should during the next five years lend twice as much as during the past five years. This means that between now and 1973 the Bank Group would lend in total nearly as much as it has lent since it began operations 22 years ago.

"This is a change of such a degree that I feel it necessary to emphasize that it is not a change of kind. We believe that we can carry out these operations within the high standards of careful evaluation and sound financing that my predecessors have made synonymous with the name of the World Bank."

"Our five year prospect calls for considerable changes in the allocation of our resources, both to geographic areas and to economic sectors, to suit the considerably changed circumstances of today and tomorrow.

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"First as to area: in the past the Bank Group has tended to concentrate its effort on the South Asian subcontinent. Much has been achieved — the harnessing of the waters of the Indus River system for power and irrigation for instance — and much remains to be achieved. I believe World Bank lending to Asia should rise substantially over the next five years. But is is not to Asia alone that our new effort will be directed. It is to Latin America and Africa as well, where in the past our activities have been less concentrated, and to some countries in great need of our help, such as Indonesia and the UAR, where our past activities have been negligible.

"In Latin America, I foresee our investment rate more than doubling in the next five years. But it is in Africa, just coming to the threshold of major investment for development, where the greatest expansion of our activities should take place. There, over the next five years, with effective collaboration from the African countries, we should increase our rate of investment threefold."

"Not only should our lending double in volume and shift geographically, but we can foresee, as well, dramatic changes among sectors of investment. Great increases will occur in the sectors of Education and Agriculture."

". . . we would hope over the next five years to increase our lending for Educational Development at least threefold.

"But the sector of greatest expansion in our five year program is Agriculture, which has for so long been the stepchild of development."

". . . our Agricultural dollar loan volume over the next five years should quadruple."

# Answers to Questions Addressed to the International Bank for Reconstruction and Development

1. This question asks what we consider the probable increase in net flows of financial resources to developing countries during the 1970's and how much of this we expect to take place through the Bank Group. As the phrasing of the question itself suggests, an answer could only be imagined in terms of alternative assumptions about "factors or attitudes" that will be determinative. "Attitudes" are not quantifiable and among the "factors" are such things as future balances of payments of capital-exporting and capital-importing countries, future government budget levels, future trends in world trade, future interest rates and a lot of other variables that it would be

Bank does not believe it is possible to produce soundly based estimates of probable increases in resource flows over the decade of the '70's, or indeed to make a judgment as to whether there will be any increase at all. And it would be highly irresponsible, and a disservice to its member countries, for the Bank to place in circulation figures for which no sound basis in fact or in probability existed.

The reasons why the Bank cannot issue long-term projections concerning the size of its own operations have been covered in our answer to Questions 2, 3, and 4 addressed to all specialized agencies.

2. This question asks for our views as to the absorptive capacity of developing countries for an increase in the net flow of assistance from developed countries during the Decade. Many of the considerations referred to in our answers to Questions 2, 3, and 4 addressed to all specialized agencies also bear on the problems of making long-range forecasts of the absorptive capacity of developing countries as a group. While in connection with its continuing review of the economic progress of individual member countries the Bank at any given time would have a view, in general orders of magnitude, of a country's capacity to use external assistance on various terms, it seems to us that no useful purpose would be served by trying to quantify global absorptive capacity figures for as much as 5 or 10 years ahead.

There is, however, another way to approach this matter which may be more helpful. At its New Delhi conference the UNCTAD adopted the figure of 1% of gross domestic product as a target for the scale of financial assistance to be made available in various forms by the developed countries to the developing countries. Had this objective been achieved during 1967, the last year for which data are presently available, the equivalent of about \$15.1 billion

net would have been transferred in the form of "aid" instead of the \$11.9 billion net actually transferred by countries members of the DAC. The Bank believes that the developing countries could now absorb productively new external resources at least equal to what would correspond to the 1% of GDP of the developed countries as a group. We also believe, that on present prospects, their capacity to use external assistance productively will increase at least rapidly enough to enable them to utilize amounts corresponding to the 1% of GDP target during the years of the Second Development Decade. These considerations lead us to the conclusion that rather than attempting to reach any degree of precision with respect to the absorptive capacity of developing countries as a whole, it would be wise for governments and international agencies to concentrate, as a primary objective for the Second Development Decade, on reaching a level of annual net financial transfers from developed to developing countries at least equal to that indicated by the 1% of GDP target. Constraints on absorptive capacity undoubtedly exist and a continuing effort to reduce them must be a conscious concern of governments and international agencies. But in the Bank's judgment a level of net financial transfers consistent with the 1% of GDP target would be well within the absorptive capacity of the developing countries for the period of the Second Development Decade.

3.. This question requests the Bank's views on ways and means of making transfers of financial resources to developing countries more efficient. It seems useful to formulate the Bank's suggestions on this matter under several general headings.

# A. Extension of the Scope for International Competitive Bidding

It is probable that the most important element of inefficiency in present financial practices arises from the inability of developing countries

to use large portions of the financial assistance available to them for procurement from the most economical sources of supply. They are placed in this position because of the widespread application by capital—exporting countries of the practice of tying financial assistance to procurement in the country offering the assistance. Studies made by several developing countries show that the increased cost of capital equipment attributable to aid-tying is not a matter of a few percentage points, but very substantial.

It can be argued that, when financial transfers take the form of grants, the increased cost of goods attributable to tying is of no economic consequence to the recipient country. But even in such cases, limiting procurement to suppliers from one country may mean that the recipient must accept inappropriate or inferior equipment. And where such equipment is incorporated in a private industrial project, or a public project that is required to show a reasonable return on capital invested, at the stated cost, the prices of the goods or services ultimately produced will have to be correspondingly higher.

Additional and even more serious consequences arise, however, when the recipient has to borrow the tied money and pay interest and amortization thereon. If, because of aid-tying, a developing country must borrow \$1.5 million to purchase equipment or services which it could obtain elsewhere for \$1 million, its interest and amortization payments will be 50% higher than would be necessary to obtain \$1 million worth of capital assistance on the same nominal terms under competitive bidding procedures. It is obvious that the cumulative effects of aid-tying are, on the one hand, that a given volume of loans and/or grants finances less real transfer of resources than it would if more efficiently allocated, and, on the other hand, that

developing countries, as a whole, get less real development assistance than they might for the price they have to pay in the form of debt service.

The deleterious consequences of the spread of the practice of tying aid are fully recognized by officials of governments administering aid pro-Indeed, these consequences have been formally drawn to the attention of governments in a resolution adopted in 1965 by the DAC, meeting at ministerial level. Recognition that tied aid is inconsistent with the most efficient application of aid funds has not, however, been translated into positive measures to reverse the trend toward aid-tying. As some of the principal governments involved do not seem prepared at present to make a frontal attack on the problem, the Bank has been actively exploring techniques for combining tied financing with the practice of international competitive bidding so that, while national financing agencies would continue to finance only orders placed with suppliers in their respective countries, those suppliers would already have qualified as the most suitable source of equipment or services from the point of view of the borrower. The Bank also cooperates with the DAC Working Party on Financial Aspects of Development Assistance which is addressing itself to ways and means of mitigating the adverse effects on borrowers of aid tying.

### B. Increased Continuity in Aid Programs

It is evident to anyone familiar with the present pattern of development assistance that there is an incompatibility between the nature of the development process in less developed countries and the manner in which development finance is made available to them. The development process is, of course, continuous. It does not stop at the end of a fiscal year or even the end of a plan period. The ability of governments to influence the

process depends on their ability to plan for continuous streams of investments in the various key sectors of the economy and of in-puts to maintain efficient operation of capacity created by those investments. Their ability to plan intelligently is seriously hampered by their inability to count on commitments of external financial support for their development programs for more than a few months ahead. It is sometimes argued that, because of the well-known lag between commitments and disbursements involved in most types of development finance, recipient countries, in practice, have a reasonably clear idea of what amounts will be available to them for several years ahead. This argument ignores the heart of the problem, which is that unless the authorities in the developing countries can themselves maintain a continuing flow of commitments, in the form of investment decisions, there will be serious discontinuities in economic growth. And as matters stand today, the authorities in most developing countries have to make such commitments on the basis of hopes and expectations rather than firm knowledge of the external financial resources that will be made available by aid suppliers two, three, or four years in the future.

The underlying reason for this unsatisfactory situation is, of course, that administrators of most bilateral aid programs are unable to make commitments for more than one year ahead. Their programs are financed by national budgets which normally do not permit long-term commitments in support of development programs in recipient countries.

Much of the inefficiency that arises from the stop-go nature of most present bilateral aid programs could be removed if legislatures could be persuaded to recognize the need for continuity in aid flows and extend the authority of aid administrators to make at least tentative and conditional commitments for several years ahead. This is easy to state but difficult to

envisage as a practical political possibility for most donor governments. The Government of the Netherlands has, however, made an important step forward by programming its development assistance for four years ahead, thus enabling it to give recipients of Dutch aid indications of the probable scale of its commitments for more than a year ahead. It should be possible in connection with the discussions of strategy for D.D. II to promote increasing awareness of the incompatibility between the inherent long-term nature of the development process and the restrictions on national aid administrations that make only short-term commitments possible.

# C. Improved Administration for Dealing with External Assistance in Recipient Countries

The Bank finds wide differences among developing countries in their capacities for efficient handling of the external assitance available to them. Some countries have well-established and well-administered machinery for directing finance to priority projects, avoiding overcommitment of resources to one or two sectors, preventing single ministries or autonomous agencies from accepting unwise financial commitments or accepting external finance for poorly conceived or low priority projects, negotiating effectively with various potential sources of finance and technical assistance, and directing pre-investment activities into productive channels. In some countries, on the other hand, these matters are still handled in a haphazard manner, which often leads to frustration on the part of donors and recipients alike. It would not be useful to attempt to generalize concerning methods of eliminating this source of inefficiency. What can be said, on the basis of experience, is that where the political determination to make the best use of external assistance exists, it is possible to obtain technical assistance for the purpose of improving the administration of aid within recipient countries

and that such technical assistance should be used to an increasing extent.

The Bank is already assisting several of its member countries to improve their machinery for utilizing external assistance and is prepared to enlarge its activities in this field.

### D. Better Access to Capital Markets

The efficiency of capital market institutions in the developed countries affects the transfer of resources to the less developed countries, both directly and indirectly. Some less developed countries are able to borrow on their own credit. Such countries would benefit 'from easier access to capital markets and from better and cheaper machinery for distributing securities to potential investors. All capital exporting countries restrict access to their markets by foreign borrowers for reasons that have nothing to do with capital movements between developed and developing countries. Some governments grant some less developed countries preferential access to their capital markets. But there is no uniformity of practice and it would seem possible, perhaps through joint action, to extend the scope of this preferential treatment to all creditworthy developing countries and their agencies and subdivisions.

The developing countries as a whole would also benefit indirectly from improvements in the markets for the bonds of the World Bank and other multi-lateral development finance institutions. High issuing costs and poorly developed systems of distribution result in these institutions being able to place only small issues in some countries, and, in other countries, practically exclude them from what should be significant markets for their obligations. Methods of broadening and modernizing capital market machinery, especially in Western Europe, could contribute significantly to the efficiency with which financial transfers from developed to less developed countries cen take place.

### E. More Flexible Aid Policies

There are a number of other characteristics of present aid programs that reduce the efficiency with which a given amount of development assistance can be employed by recipient countries. In a general way, these factors may be attributed to the lack of sufficient flexibility for aid administrators to adapt their programs to the priority requirements of developing countries as a whole, and of particular recipient countries. The geographical allocation of aid is subject to constraints imposed by a variety of considerations, such as historical connections between donors and recipients, strategic considerations and, in the case of the multilateral institutions, the restriction of their activities to their member countries. In no case do aid administrators have a completely free hand to allocate assistance to the Third World as a whole exclusively on the basis of such developmental criteria as absorptive capacity, economic performance, or one or more indexes of "need." The institutions of the World Bank Group are the least subject to such geographical constraints because of the very wide, though not universal, membership of developing countries in those institutions, and the absence of any noneconomic criteria for the allocating of their resources among member countries.

Elements of inflexibility that affect the adaptability of aid to the requirements of particular countries include restrictions of assistance to particular kinds of projects, or to one or a few economic sectors and, of course, restrictions on the terms of aid. Another important source of inflexibility has been limitations on the ability of donors to assist countries whose need, over a certain period, is for external finance that will enable them to maintain or increase the rate of utilization of existing industrial capacity rather than for assistance in increasing capacity. For such

countries, a greater degree of flexibility in granting so-called program loans, or in financing the local currency component of projects, as opposed to financing restricted to the foreign exchange component of capital projects, would lead to more efficient application of external assistance.

In general, it can be safely asserted that if aid administrators were given more freedom to tailor their programs to the clear priority requirements of recipients, rather than basing them on a priori rules as to the form, terms and direction of aid, greater all-around efficiency in the transfer of resources to developing countries would result. It is becoming increasingly possible to identify such priority requirements. Improved economic management and planning in many developing countries are enabling them to identify and quantify the types of external finance likely to be most effective in supporting their development programs over the short and medium term as well as to present a clearer picture of an appropriate long-term strategy for them, and for those government and international agencies willing to assist them. The continuing review of member countries' problems and prospects by the World Bank and other multilateral agencies is steadily increasing the fund of knowledge and experience available to aid administrators. Finally, through consultative groups, consortia and other aid coordination machinery, governments, multilateral agencies and aid recipients are, to an increasing extent, arriving at common understandings about priority needs and appropriate financial terms on the basis of which all concerned with a country development effort can, if not subject to too many constraints, base policies and decisions.

4. This question asks how, in the light of experience gained in the past few years, we would reappraise the advantages and disadvantages of bilateral and multilateral aid for the parties concerned and the possibility of combining these two forms in order to increase the efficiency of aid.

It is difficult to generalize about multilateral and bilateral aid.

The number of donor countries and of international organizations involved is large, and the variety of programs is considerable; some difference of approach rises more from pragmatism than from inherent distinctions of principle; and in any case, what may be an advantage in one set of circumstances can easily be a disadvantage in another.

Multilateral and regional organizations still derive much of their potential from the simple fact that they are international. They need not reflect the mixture of motives that may blur the objectives and effectiveness of bilateral aid. They do not press for the diplomatic, commercial or military advantages that sovereign states have tended to seek from development aid; they are less likely to be under short-term pressures and, as compared to any single bilateral program, may be less subject to interruptions arising from international disagreements or national politics. They are able to pay more regard to strictly developmental criteria of operations, to apply more continuous effort to long-range development programs, and to be attentive to developing countries which, for want of historical or diplomatic links to donor countries, might otherwise be neglected. Relative to the amount of resources the international institutions are able to supply, they may be more effective in achieving development objectives.

The international character of the multilateral institutions also gives them access to a wide range of knowledge and skills. Regional institutions, for example, are uniquely placed to help conceive and realize opportunities for regional development and regional economic cooperation. Development finance provided by multilateral and regional institutions, since it commonly bases the procurement of goods and services on international competitive

bidding, and thus enables the recipient to buy from the most economical source of supply, is considerably more valuable to developing countries than most bilateral aid, in which nearly all procurement is limited to individual donor countries. (See answer to Question 3 addressed to the Bank.)

International organizations are politically neutral in principle, and in their governing bodies include representatives both of developed and of developing nations. They have therefore been entrusted with tasks which might not be as well or as acceptably performed bilaterally. They have been the logical leaders of consortia, consultative groups and other cooperative arrangements formed for the purpose of coordinating aid to individual developing countries. Small countries among the developed nations have chosen to channel much of their aid through multilateral organizations, in preference to creating comprehensive aid administrations of their own. Representatives of multilateral organizations have filled advisory or executive posts in the developing countries in which nominees of developed countries probably would not have been equally welcome; and it may be easier for developing countries to make politically difficult decisions on the basis of advice from an international agency than from a national government.

The financial resources available to multilateral organizations, however, are much smaller than the total deployed by national agencies. Paucity
of resources has made it difficult for international institutions to keep
from spreading their efforts too thinly. It may also make these institutions
more cautious, less innovative and slower to act than otherwise might be the
case.

Bilateral programs serve the national interests of donor countries more visibly than multilateral programs, and it has been easier, on the whole, to muster public and financial support for them. Bilateral programs in total

not only command larger resources, but typically are concentrated in fewer recipient countries. Within a particular developing country, they may represent a more comprehensive assistance effort than a multiplicity of small multilateral undertakings.

Bilateral programs, since they deal with political and other nondevelopmental objectives, also have the possibility of being more flexible
in form and administration, more experimental in nature, and more quickly
responsive to emergencies or unexpected opportunities. Bilateral aid, for
example, has provided most of the program (i.e., non-project) aid received
by developing countries, while multilateral institutions for the most part
have given their capital assistance in the more traditional form of project
finance.

Special relationships between countries may also enhance bilateral programs. The assistance given by metropolitan nations to former overseas territories, based on long and often unique experience, has been administratively and technically expert, and has been given on a scale larger than could have been expected of multilateral programs. Countries with highly developed technical and economic specialities also are able to give technical assistance of particular value in their chosen fields; and some of these have preferred to carry on their own technical assistance programs at the same time as they channel funds for the purchase of capital goods through multilateral organizations.

Bilateral and multilateral aid can be effectively combined. Examples are mentioned in response to Question 3 addressed to the Bank: groups formed to coordinate the assistance of donor nations and international organizations in a single country; and joint financing of projects by national and international institutions.

Combinations of project financing by a multilateral agency and bilateral technical assistance for the implementation of the project are becoming quite common. The World Bank actively seeks technical support from national agencies in connection with many of its projects in education, agriculture and transportation. While international teams of experts may provide insurance against distortions of technical assistance in the narrow interests of one donor country, this insurance can be effectively provided by placing national teams under the supervision of a multilateral agency, while retaining the very considerable advantages of ease of intercommunication, common technical backgrounds, common understanding of institutional problems and other features that enhance the efficiency of national teams.

A growing number of ways are being found in which bilateral and multilateral aid can be combined in order to have some of the advantages of each. In any case, the need is clearly not to have more of one and less of the other; the need is to have more of both.

Development Services Department International Bank for Reconstruction and Development

October 23, 1968

INTERNATIONAL DEVELOPMENT **ASSOCIATION** 

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL FINANCE CORPORATION

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REFERENCE EC 123(2-2-1)

28 October 1968

J.

Dear Mr. McNamara,

I take pleasure in inviting you to be represented at the meeting of the ACC Sub-Committee on the United Nations Development Decade to be held at United Nations Headquarters in New York from 18 to 20 November 1968. If necessary, the meeting could continue on 21 November 1968. The meeting will begin on Monday, 18 November at 10 a.m.

It will be recalled that the Preparatory Committee of ACC in its latest report (CO-ORDINATION/R.710) has stated that the proposed meeting of the Sub-Committee "should be wide-ranging in character and should discuss general issues of development strategy, and particularly the goals and objectives of the second Development Decade, as well as questions of a more technical character". Further, the Preparatory Committee has noted that "such a meeting would also assist the agencies in formulating replies to the questionnaire which had been sent out by the Secretary-General". The agenda for the meeting of the Sub-Committee has accordingly been drawn up on the basis of these considerations; a copy of the agenda is enclosed.

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

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Dear Mr. NeWesser.

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It will be realist that the Laguratory Committee of Not in its latest respectively. The latest respectively the latest respective proposed meeting of the sob-Ammitates "lowed so wide-ranging in character and about discuss general issues of development stretegy, and particularly the poles and objectives of the second Dovelopment Laughe, as well as questions of a more technical character". The there, the Proparatory found then has noted that "outs a meeting which had been sent out of its consistent of the agencies the Charactery-depends on the questions for the meeting of the Colombittee has accordingly seed drawn up on the basis of these considerations; a coordingly seed drawn up on the basis of these considerations; a coordinations.

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It will also be recalled that the Sub-Committee, at its meeting on 1 July 1968, emphasized the "importance of close inter-secretariat consultations among the organizations most directly involved in the technical work underway" (CO-ORDINATION/R.694). In connexion with the agenda item relating to technical work, it will be desirable to provide an opportunity not only for general discussion by the representatives of all organizations but also for more technical discussion in which only those organizations that are most actively involved in technical work may wish to participate.

I believe that the proposed meeting of the Sub-Committee will provide a valuable opportunity for harmonizing our efforts to carry out the preparatory work for a second United Nations Development Decade.

Yours sincerely,

Philippe de Seynes

Theoffe de Sepres

Under-Secretary-General for Economic and Social Affairs

# OFFICE MEMORANDUM

TO:

Mr. McNamara

DATE: October 23, 1968

FROM:

Michael L. Hoffman 1111

SUBJECT:

FORM No. 57

Second United Nations Development Decade (D.D. II)

As part of the preparations being made in the U.N. for D.D. II (now scheduled to begin in 1971) we have been asked to respond to a series of questions about the size, scope and nature of our operations and international capital flows generally over the period of D.D. II. Some of these questions are addressed to all U.N. specialized agencies and don't fit us at all. Some are addressed specifically to the Bank, but they don't fit very well either. These questions were actually formulated by a committee of experts headed by Professor Jan Tinbergen and in many respects they reflect a view of the D.D. II exercise that we regard as quite unrealistic.

The Fund has replied to the questions addressed to it with what amounts to a brush-off (a copy of Mr. Schweitzer's letter is attached). However, as the principal development finance institution of the U.N. family, I think we ought to be as helpful as possible to the U.N. in discharging what, from their point of view, is a major responsibility to the General Assembly. Accordingly, we have put a good deal of effort into drafting a response that we think may be helpful to Mr. de Seynes even though we cannot give direct answers to many of the questions because they are unanswerable as formulated. (A copy of the questionnaire is attached.)

The basic position that Mr. Demuth, Mr. Kamarck and I have taken in drafting these papers is that the right thing for the U.N. to do is to approach D.D. II as a potentially significant public relations exercise designed to produce a broad manifesto that will stimulate governments of both rich and poor countries to adopt and implement realistic strategies designed to speed up the pace of development. We believe that if an effort is made to get governments, through the General Assembly, to make any sort of hard commitments to global quantitative targets and specific policies, the whole exercise will end in frustration, will do more harm than good to the development effort, and will cast discredit on the U.N. In this we differ sharply from the Tinbergen committee approach. But the members of that committee do not speak for governments and there are already clear indications that many governments are not happy about the ideas that have emerged from the committee's work so far. Here we must make an exception for the Government of the Netherlands, at least in the person of Minister Udink, who is actively supporting the Tinbergen approach.

Philippe de Seynes is aware of our general views on these matters and is anxious to have as clear and firm statements on the various issues as we are able to make. I believe the response we have prepared to the questionnaire, together with the covering letter for your signature, will meet his need.

INTERNATIONAL FINANCE CORPORATION

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Mr. Hoffman and Mr. Kamarck

October 3, 1968

Richard H. Demuth

Development Decade VI

Mr. de Seynes told me today that he plans to call a meeting either of all agencies or the principal agencies concerned to discuss the preparation of materials on the Second Development Decade. This meeting, he thought, would be held around November 17 and might last for some days. Before the meeting convened, Mr. de Seynes expects to circulate an outline of a D.D. II report to be prepared by Mr. Mosak's group. Mr. de Seynes added that what he had in mind was to scrap the "manifesto" prepared by the Committee on Development Planning and prepare a report covering the same general territory as this year's world economic survey, except that instead of looking back at the last ten years, the new report would look ahead at the next ten years. Finally, Mr. de Seynes said that he thought it would be a great mistake to try to make projections that would purport to be valid for the whole decade. Instead, he intended to include recommendations for institutional arrangements to keep the D.D. II targets under periodic review and to adjust them in the light of changing circumstances.

RHDemuth/pnn

FORM No. 57

INTERNATIONAL DEVELOPMENT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

### OFFICE MEMORANDUM

TO: Messrs. Hoffman and Kamarck

DATE: September 26, 1968

FROM:

Federico Consolo W.

SUBJECT: UNCTAD and the IInd Development Decade

1. I have sent you copies of George Wishart's reports on the discussion of this item at the recent Trade and Development Board.

2. This morning, Mr. Elmendorf (UN) told me on the phone that the draft resolution mentioned in these reports had been adopted, in a revised form (129 Rev.1), by 33 votes for (LDC's and Belgium) and 15 abstentions (OECD countries). The text is not yet available in New York but Mr. Elmendorf, having had a copy from a friend, will photostat it and send it to me: I will pass it on to you.

3. Apparently, the resolution sets up an Inter-Governmental group to assist the Secretary-General of UNCTAD on strategy for the IInd Development Decade and to study all reports connected thereto and comment on them. The size of the group is not specified: any government interested may participate but the deadline for submitting names is November 1. The OECD countries have not yet decided whether to participate and are consulting amongst themselves.

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Mr. Andrew M. Kamarck (through Mr. Collier)

September 25, 1968

E.K. Hawkins 9

U.N. Paper - Developing Countries in the 1970's. - Second Development Decade

You asked for our comments on the above paper to form part of the reaction by the Bank to the proposals for the second Decade. I have some difficulty in meeting this request because I am not clear in my own mind as to the best way to respond. Mr. Mosak's paper is, as could be expected, an interesting and highly competent piece of work; it brings up to date the work the Center did on the capital requirements estimate in 1964. However, it is of similar value to other estimates of this kind; that is to say, it indicates in a general way the implications of certain assumptions when applied to groups of developing countries and projected into the future.

The question arises, however, as to whether this kind of demonstration now fulfils any useful function. The paper has, in fact, a distinctly old fashioned look about it. Nobody believes in the large numbers anymore since we all know that more could be accomplished if more funds were available for development, but these sums are not likely to be forthcoming. Very little will be achieved in the way of producing them through arguments couched in the terms of this paper. In addition, there remain the dangers of operating with relatively simple aggregate relationships of this kind. Even if the capital requirements indicated were available it is probable that attempts to use such sums would run up again absorptive capacity constraints in many countries.

The problem, therefore, is to know whether the investment of our time in making detailed comparisons, say, between the results of this exercise and the results of the five-year projection exercise of the Bank would be well invested or not. I doubt it very much. The need now, one suspects, is to move forward into more searching country analysis. The role of this kind of paper is probably to point the way and give clues as to what might be explored in more detail.

The paper does attempt to move forward by claiming that explicit account is taken of policy changes in the estimates. "It is only through a searching analysis of the policy implications of alternative rates of economic growth that some judgment can be formed as to what may or may not be feasible in the context of numerous constraints" (page 4). It turns out, however, that the way in which policies are brought in is by assuming that key variables - savings rates, capital-output ratios, import coefficients and rates of growth of exports, take certain values because of policy decisions of the governments concerned. It is claimed that the resulting projections are "in principle, not comparable with direct projections of historical relationships which do not incorporate in such policy postulates" (page 27). I cannot see that this is a valid

distinction. If projections are made on the basis of historical relationships it is implied that certain policies will be followed into the future whether they are explicitly set out or not.

Similarly, one can assume that coefficients will change as a result of policy changes but the really interesting question is the mechanism by which this comes about. To take one example in the field of savings behavior, a great deal of doubt has now been cast on the idea that the way to raise the savings rate in a country is to increase public savings. I do not see that we yet have any very solid evidence to support this contention. The same applies to policies relating to import behavior and the effectiveness with which capital is employed in the economy.

In these circumstances I see little point in entering into a detailed discussion of the growth rates and "gaps" that emerge from these exercises. They are of some value, especially in terms of pointing up the need for more changes. There are, for example, some quite startling figures of the increases in productivity that will be required in order to achieve the high rates of growth postulated as targets. The fact is that such rates are unlikely to come about unless there are substantial changes in the structure and methods of production in developing countries. If that happens then, of course, the model structure may no longer be applicable to the situation and the results will no longer apply.

The Bank's way of doing things, by means of a careful country-bycountry enalysis employing quantitative and qualitative judgments looks
more and more appropriate as a means of making progress to a better
understanding of the development problem. Possibly the United Nations
feel that they must do what they can with the aggregate data available
to them at headquarters. What they do is very well done and they have
made further contributions to the understanding of the methodology involved
in capital requirements estimates. The fact of the matter is, however,
that the method employed will yield so much and cannot really be expanded
further.

EKHawkins/w

ec: Mr. Kalmanoff

FORM No. 75 (2-60)

### INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE

INTERNATIONAL DEVELOPMENT **ASSOCIATION** 

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From

Richard N. Demul

Dep. Mg. Dir.
Dep. Mg. Dir.
UN Rep.
Info. Officer
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September 24, 1968

Dear Mr. de Seynes:

In reply to your letter of July 24th in connection with the preparatory work for a second United Nations Development Decade, I am transmitting some comments on the draft documents prepared by the Center for Development Planning. These comments reflect the provisional views of the staff, and not necessarily those of the Executive Directors.

On a number of matters of concern to the Fund mentioned in the Preliminary Sketch of an International Development Strategy for the Nineteen Seventies (Working Paper 1/Rev.1), such as the problem of debt service, fiscal policies, and international liquidity, the staff would, of course, not disagree with the general emphasis placed on the problems involved. The Fund's relationships with its members, through annual consultations and in discussions involving the use of Fund resources, as well as through participation in debt rescheduling negotiations, closely involve issues of this kind.

It would be difficult, however, to put quantitative estimates on these factors or on the implications for policies in connection with the growth rates to be achieved by 1980, as suggested in the second question of Part II of Working Paper 2/Rev.1. The Fund is, of course, essentially concerned with the resolution of difficulties of a short-term character and with the achievement of stability within the development process. But, in advising members as to the policies they should adopt in overcoming these difficulties, the Fund takes account of its members' need to pursue policies conducive to growth. While, therefore, it would not be possible to offer an opinion as to whether a postulated growth rate of 6-7 per cent would be appropriate for the second Development Decade, the Fund will continue to stress the desirability of its memlers pursuing realistic policies for growth which are adapted to their individual circumstances and within the framework of which Fund resources can be usefully applied to the alleviation of temporary difficulties.

In connection with the problem of agricultural commodity trade brought out in paragraph 25 of Working Paper 1/Rev.l., during the last year the staff has been engaged, as perhaps you know, jointly with the staff of the Bank in a study of the problem of stabilization of prices of primary products, in response to Resolutions adopted by Governors of the two institutions at their 1957 Annual Meetings. A general and analytical study of the problem has been completed and further work has been initiated by the staff on possible courses of action by the Fund in this field. I enclose herewith a copy of the study, which does not necessarily reflect the views of the Executive Directors of either institution, and I shall be glad to inform you of developments in this connection in due course. Since the study will be officially transmitted to Governors of the Fund and Bank at their Annual Meetings beginning on September 30th, I shall be grateful if you will regard it as confidential until that date.

In Part III of Working Paper 2/Revl., two questions have been specifically posed to the International Monetary Fund.

In enswer to the first of these, I would say that the Fund has not as yet adopted any view about the probable or necessary increase in international momentary reserves during the nineteen seventies.

En the second question, you will be already oware that the special drawing rights scheme approved by the Board of Governors of the International Monetary Fund does not provide for any direct link between the new reserves and the provision of financial assistance to developing countries. However, I would hope that by relieving any chortages in world reserves the scheme would make it possible for participating countries to provide international assistance to developing countries in amounts somewhat closer to what they would deem appropriate in the absence of balance of payments difficulties.

In connection with these questions and with paragraph 28 of Working Paper 1/Rev.1., I am forwarding herewith copies of the Fund'channual Reports for 1966, 1967, and 1968 in which these matters are discussed. I would invite your attention in particular to Appendix I B of the 1968 Annual Report which reproduces the Report of the Executive Directors and Proposed Amendment to the Articles of Agreement. I am also forwarding a copy of a recent lecture on this subject.

Yours sincerely.

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P .- P. Schweitzer

Mr. Philippe de Seynes Under-Secretary-General for Economic and Social Affairs United Nations New York, N. Y. 10017

### CROSS REFERENCE SHEET

COMMUNICATION:

Letter

DATED:

September 23, 1968

TO:

Mr. Consolo

FROM:

Mr. G. Wishart

FILED UNDER:

UNCTAD

SUMMARY:

Re: Report on various items under discussion at the 7th Session of the Trade and Development Board, item 4 of which deals with UNCTAD land Second Development Decade. The comment on it states:

"The argument here is whether or not at Intergovernmental Group will be formed to advise the Secretary-General of UNCTAD."

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#### NEW YORK

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23 September 1968

Dear William,

REFERENCE

Last week I learned a great deal from both Harold Graves and Donald Pryor and hope that we can continue this fruitful liaison.

Although I know this is a very busy time for you, I do need the help of your office. Mr. de Seynes has had to cancel his scheduled key-note address to the WORLD CONSULTATION ON THE ROLE OF INTERNATIONAL MANAGEMENT IN THE SECOND UNITED NATIONS DEVELOPMENT DECADE 1970 - 1980 ..... described in the attached pamphlet. This is the Conference I mentioned to you in my letter this summer. Ambassador Makonnen, Chairman of the Conference, has suggested that Mr. de Seynes' replacement might have closer identification with the private sector as the Ambassador thought the programme already had too many UN types.

The name of Mr. McNamara immediately arose but I said that it was most unlikely he could accept and suggested George Woods. This met with enthusiastic response, therefore I am writing you to inquire if your office would make the initial contact with Mr. Woods.

The organizers of the Consultation would like Mr. Woods to give the key-note address, with the same subject assigned to Mr. de Seynes - "Origins, Aims, Achievements and Shortcomings of the First UN Development Decade". They would, however, like to change the programme and have the Consultation open the evening of Thursday, 5 December, 5 p.m. to 6.30 p.m., when both Ambassador Makennen and Mr. Woods would speak. Mr. Woods could then join as much of the Consultation thereafter as he desires.

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

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other speakers not listed in the attached programme include Mr. Stanovnik, Executive Secretary of ECE and Tibor Mende of UNCTAD.

The Conference will be limited to 100 people primarily from developed countries, including Eastern Europe, but with a sprinkling of representation from developing nations. (It is interesting to note that the Director of the Czechoslovak Management Institute has accepted.)

If someone from your office could telephone me about the availability of Mr. Woods, I would very much appreciate it as it is fairly close to the dates of the Consultation - 5-8 December in Geneva.

With best wishes,

Sincerely,

Curtis Roosevelt, Chief
Non-Governmental Organizations' Section
Economic and Social Council Secretariat





#### WORLD CONSULTATION ON THE ROLE OF INTERNATIONAL MANAGEMENT

IN THE SECOND UNITED NATIONS DEVELOPMENT DECADE 1970 - 1980

Conducted under the auspices of the World Alliance of YMCAs, Geneva and organized by the YMCA Center for International Management Studies (CIMS), New York in cooperation with the United Nations, the Specialized Agencies and Organizations of the U.N.

December 5 - 8, 1968

World Alliance of Young Men's Christian Associations John R. Mott House 37 Quai Wilson 1201 Geneva, Switzerland

# RESPONSIBLE MANAGEMENT HAS A STAKE IN THE SECOND UNITED NATIONS DEVELOPMENT DECADE

From July 12 to 14, 1968, the Planning Committee of the forthcoming World Consultation met in Geneva, for the purpose of exploring the best way of bringing together the leaders in the field of management and the leaders within the family of the United Nations, Specialized Agencies and Organizations of the U.N. under the auspices of the YMCA. If the First UN Development Decade has fallen short of expectations, it may well be due to the fact that the views of responsible, professional management and sound management practices were not sufficiently considered and incorporated in many programmes. This shortcoming must be avoided during the Second UN Development Decade, which is a hope and a challenge to all of us. Therefore, a small select group, representing the directors of the world's daily work, the managers, will meet in Geneva, December 5 to 8, 1968, with their counterparts from the United Nations organizations, thereby expressing:

### "WE ARE HERE TO MEET THE CHALLENGE ...."

Note: The YMCA Center for International Management Studies - (CIMS), of the National Board of YMCAs of the USA is an affiliate of the Council for International Progress in Management (USA), Inc. - (CIPM) a Member of the "Comité International pour l'Organisation Scientifique", (CIOS). Robert R. Braun, Secretary General of CIOS, is acting as advisor in the organization of this World Consultation.

David Morse, Director General of the International Labour Office has been giving valuable assistance in planning the programme of the Consultation.

#### ABOUT THE PURPOSE AND OBJECTIVES OF THE WORLD CONSULTATION

#### **PURPOSE**

To discuss the role of management in world development and to explore specific ways for vitalizing management's responsibility in this field.

#### **OBJECTIVES**

TO STUDY new concepts and critical issues affecting world-wide economic and social changes.

TO PROPOSE effective ways of sensitizing managers to rapidly changing conditions in different countries.

TO RECOMMEND the best ways of intensifying the participation of managers from industrialized and newly industrializing countries, in programmes of international management development, by utilizing the resources of YMCAs.

TO SUGGEST guidelines, goals and targets for YMCA-CIMS for the next five years, in order to accomplish the above objectives.

#### THE DECADE OF DEVELOPMENT AND CIMS

Early in 1960 the United Nations issued a call "to the conscience of mankind". The call opened the UN Decade of Development. For the ten year period, 1960-1970, all members of the UN, its agencies and organizations pledged themselves to narrow the gap between developing countries and fully modernized nations. As a specific target, the plan sought the attainment by the developing countries of a minimum annual growth rate of 5 per cent in aggregate national income by 1970. To this end member states and their peoples were called on to intensify their efforts to mobilize resources and to support the measures on the part of both developed and developing countries to attain the necessary acceleration of economic growth.

In a recent appraisal, the Secretary General of the United Nations has reached the conclusion that, in spite of many remarkable achievements in particular countries and in particular fields, the overall progress toward the goals of the decade has so far been disappointingly small. This is therefore a time of stock-taking and careful review not only on the part of individual governments, but among responsible citizens in all countries, especially managers of industrial and business enterprises.

Consequently, the YMCA in conducting this consultation which brings together leaders of different countries in which the YMCA exists, desires to help in this job of reviewing the problems encountered during the current decade as well as stimulating support and enthusiasm for the goals of the next decade, 1970-1980. The YMCA is a voluntary, non-governmental service organization with consultative status in the U.N. It provides private, non-profit activities in, among other fields, international relations and understanding. It exists primarily to serve the individual and provides both self-expression and collective action. It is world-wide in scope.

The YMCA's Center for International Management Studies (CIMS), organized in 1961, is a relatively new organization, but has gained endorsement by various institutions as well as several graduate schools of business. Interest and participation in CIMS educational and cultural exchange activities was cited as the principal reason for the "1968 Institute of International Education and Reader's Digest Foundation Distinguished Service Award" to the Xerox Corporation.

A major objective of CIMS is to increase person-to-person participation of top industrial leaders in meeting the problems of a constantly changing world. Therefore, it is pleased to join with the World Alliance of YMCAs in applying its efforts more purposefully, through the sponsorship of this consultation, in helping to achieve a better world for all.

#### EXECUTIVES OF THE CONSULTATION

Chairman:

Ambassador Lij Endalkachew MAKONNEN Permanent Representative of Ethiopia to the United Nations, Vice-President of the

World Alliance of YMCAs

Deputy Chairman:

Professor Zdenek MOSNA, Prague, Czechoslovakia

Dean of the Faculty of Management

Prague School of Economics

Deputy Chairman:

Mr. Ernst SCHULZE, Essen, Germany

Director, Managing Board, Glaswerke Ruhr

Deputy Chairman:

Mr. Charles H. SMITH, Jr., Cleveland, Ohio, USA

President, The Steel Improvement and Forge

Company

Deputy Chairman:

Mr. A. W. WINSLOW, Sao Paulo, Brazil Anglo South American Agencies, Ltd.

Staff:

Mr. John C. O'MELIA, Jr., New York, USA Director, Constituent Services Section

National Board of YMCAs Executive Director, CIMS

Mr. W. Harold DENISON, Geneva, Switzerland

Associate Secretary General World Alliance of YMCAs

#### PRELIMINARY PROGRAMME

#### Thursday, December 5

#### Arrival of Participants

16.00 - 18.00

Registration at John R. Mott House, 37 Quai Wilson, Geneva (Telephone 32 31 00), and distribution of those preparatory documents that were not previously sent to participants.

18.00 - 19.30

WORLD ALLIANCE YMCA RECEPTION at John R. Mott House in honour of special guests, delegates and their ladies.

20.00

Informal Dinners, in small groups of common interest. There will be groups arranged for the following topics:

- Changing concepts of managing and work.
- Closing the management gap by using more young people.
- The role of industrial sectors in development programmes.
- New methods of applying scientific and technological development.
- Management education and training in international development.
- Social and cultural factors in international management.

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#### Saturday, December 7

9.30 - 10.45

#### FOURTH PLENARY SESSION

Chairman: Ambassador Makonnen

Panel Dialogue: "THE VITAL ELEMENTS NECESSARY FOR THE SUCCESS OF THE SECOND DEVELOPMENT DECADE", by officers of UN Specialized Agencies and organizations of the U.N.

Names of participants to be announced.

10.45 - 11.00

Coffee Break

11.00 - 12.00

#### FIFTH PLENARY SESSION

Chairman: Ambassador Makonnen

THE PANEL'S ANSWERS TO QUESTIONS FROM THE FLOOR. Questions to be presented in writing, on forms that will be distributed among participants.

12.30 - 14.30

Special Luncheons with Panel Leaders

15.00 - 16.30

#### SIXTH PLENARY SESSION

Chairman: Ambassador Makonnen

Special Address: "WHAT MANAGEMENT'S NON-GOVERNMENTAL ORGANIZATIONS CAN DO FOR DEVELOPMENT", by Mr. Curtis Roosevelt, Chief NGO Section, UN Economic and Social Council, New York

Discussion

20.00

CIMS DINNER at the Restaurant du Parc des Eaux Vives, quai Gustave-Ador 82, Geneva, for special guests, delegates and their ladies.

Address: "THE PLACE OF CIMS IN INTERNATIONAL MANAGEMENT", by Mr. Wilbur M. McFeely, Vice-President, Riegel Paper Corporation; Vice-President, Riegel Textile Corporation; Chairman, The National Board of YMCAs (USA)

Sunday, De	cember	8
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8.30 - 9.00

Ecumenical Worship Service

9.00 - 9.45

SEVENTH PLENARY SESSION

Chairman: Ambassador Makonnen

Address: "MANAGEMENTS' EXPECTATION FOR CIMS AND NON-GOVERNMENTAL ORGANIZATIONS IN THE SECOND UN

GOVERNMENTAL ORGANIZATIONS IN THE SECOND UN DEVELOPMENT DECADE"- Speaker to be secured.

9.45 - 11.00

Second Session of Discussion Groups

Deputy Chairmen will preside over the discussions of the following topics:

- Which are the international management problems deserving preferential attention?
- For which regions or countries should programmes be planned?
- What kind of programmes should be envisaged?
- What kind of participants?

Each group will take the last 30 minutes to prepare its report.

11.00 - 13.00

Closing Session

Chairman: Ambassador Makonnen

Presentation by Deputy Chairmen of conclusions reached during the morning discussions.

Recommendations for future plans and programmes

for CIMS and the YMCAs.

Closing remarks by the Chairman.

#### CONDITIONS OF PARTICIPATION

#### DELEGATES

Delegates should be top managers from industry and business, officers of management organizations, as well as officials from international and national organizations dedicated to international cooperation and development including the YMCA.

Since the capacity of the conference hall is limited and an excessive number of applications is anticipated, participation will necessarily have to be by invitation only.

Participation in plenary sessions and discussion groups, as well as social events, will be strictly limited to properly registered delegates.

DEADLINE FOR REGISTRATIONS:

November 15, 1968

REGISTRATION FEE:

US\$ 75.00 or SFr. 325.00 for delegates US\$ 35.00 or SFr. 150.00 for wives.

Note: Registration fees not refundable after December 2.

#### CONFERENCE LANGUAGES

The main working language of the consultation will be English. However, simultaneous interpretation services for plenary sessions and consecutive interpretation services for discussion group sessions have been foreseen, the languages depending on the needs of the participants. Hence the necessity of clearly stating interpretation needs when registering.

#### DOCUMENTATION

Registered delegates will receive preparatory and final documents in English.

The report of the consultation will be distributed to all delegates and their respective organizations. Additional copies will be available for a nominal charge.

#### BRIEFING AND PREPARATION OF DELEGATES

In view of the very tight time schedule of the consultation, DELEGATES ARE REQUESTED TO STUDY THE PROGRAMME AND PREPARE FOR THE DISCUSSIONS WELL IN ADVANCE.

Recommended reading for briefing purpose: "The United Nations & The Business World", Research Report No. 67-4, U.S. Library of Congress Catalogue No.67-30958, prepared and published October 1967 by Business International Corporation.

#### PRESS COVERAGE

Major papers and the final report of the consultation will be made available to the press. A limited number of seats will be reserved for representatives of the press in all plenary sessions.

#### WIVES AND FAMILY MEMBERS OF DELEGATES

There will be a special programme for wives and family members accompanying delegates.

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IDA IBRD IFC FORM NO. 92 (4-68) CORRESPONDENCE RECORD FORM FROM DATED R. Prebisch Sept. 6, 1968 UNCTAD Geneva, Switzerland SUBJECT Re: conversation on much-needed co-ordinated approach to problem of development aid. Encl. copy of report on "the role of UNCTAD in second Development Decade. ADDRESSED TO Mr. McNamara Mr. Demuth

## OFFICE MEMORANDUM

TO: FILES

DATE: August 7, 1968

INTERNATIONAL FINANCE

CORPORATION

FROM:

Andrew M. Kamarck

SUBJECT:

Preliminary Memorandum: Proposed Position on the Development Decade

In Philippe de Seynes' letter of 24 July 1968, Mr. McNamara 1. was asked for the comments and suggestions of the Bank relating to the preparatory work for the second Development Decade based on three draft documents prepared by a working group of the Committee for Development Planning and a paper prepared by the UN Secretariat. The latter paper ("Developing countries in the 1970's: preliminary estimates for some key elements of a framework for international development strategy") is primarily a technical document. we may have some comments on it, the paper is sufficiently modest in purpose that the comments will be mainly technical and can be handled separately.

- 2. The other documents prepared by the working group of the Committee for Development Planning are of quite a different order. They raise the direct question of how the Development Decade should be approached and what the Bank's posture should be.
- The first point that needs to be made is that these working group documents bear all the marks of having been hurriedly put together and with insufficient thought having been given to them:
  - The most important target to be set for the a) Item Development Decade is the annual rate of economic growth. Working Paper 1, paragraph 2, presents this as the "target rate of growth of gross national (or domestic) product per head in developing countries during the 1970's." (my underlining.) The questionnaire to the regional commissions and international organizations presents this as "minimum terminal target rates of economic growth of 6, 6.5 and 7% per annum to be achieved in developing countries by the end of the 1970's." (my underlining.) (I., 2; II., 2). There is a big difference between a target to be achieved during the 70's and a target to be achieved by the end of the 70's. The impact on different countries can vary greatly whether the target is growth in GNP per capita or in total GNP.

- b) Item The second sentence in the sketch reads: "The achievement of such progress would imply an average caloric intake of at least ... calories per day per capita in developing countries, together with an increase of ... per cent in protein intake; reduction of the death rate by about ...; primary education for at least ... percent of the age-group up to fourteen years; an increase in non-agricultural employment by ... percent more than the population increase." This sentence presents a mixture of static and dynamic goals and confuses the objectives and the "instrumental policies" necessary to reach an objective. Setting a target of a certain number of calories per day per capita is a final objective that is desirable in and of itself, but an increase in nonagricultural employment can only be desirable as an instrumental means to secure a rise in GNP. If it were a final objective, countries could fairly easily attain it by putting people to work building pyramids, for example.
- c) Item The sentence quoted above sets reduction of the death rate as a target. There are LDC's whose death rates, because of the youth of their present population, are already below that of Western Europe and the United States. A further reduction in the death rate might even be biologically impossible at present for some countries. In any case, such a target should not be considered without mentioning the birth rate.
- The Committee on Development Planning has now had this problem on its agenda for two years and the results so far are these inadequate, hastily thrown-together papers. But nothing better could reasonably be expected from this kind of set-up. Reliance to do this task cannot be placed on an unpaid committee of busy eminent economists from all over the world, pre-occupied with many other responsibilities, meeting together for a few days a year, not disposing of a staff of its own, and not being given any leadership other than that which Professor Tinbergen can provide out of an extremely tight schedule. If anything really meaningful and which can stand up to critical scrutiny is to be produced, the UN Secretariat or the World Bank Group will have to take the lead. I have the impression the UN Secretariat is afraid to. Whether we should attempt to take the lead is a major diplomaticpolicy decision and it may be that it would need to be explored with the major shareholders of the Bank and the Board before a final decision is taken.

- 5. Whoever takes the lead in this, it would be wise for us to get clear in our own minds what kind of action we would hope would come out of the UN on the second Development Decade.
- 6. There are three different types of action that I believe the UN General Assembly should take:
  - a) The adoption of a manifesto calling the attention of the world to the importance of the development of the LDC's. This would call on the developing countries to make development their primary goal, and on the developed countries to give assistance in the form of capital, technical assistance and in the creation of a better world economic environment for the developing countries. This manifesto should be drafted as a kind of declaration of the rights of man for the under-developed world. It seems to me that this is the kind of document the UN General Assembly, as a world forum, is particularly qualified to draw up and to agree to.
  - b) Setting feasible optimum growth targets for the economic development of the LDC's to be attained by the end of the second Development Decade. I would be inclined to restrict the setting of targets to a simple target for growth in GNP to be attained by the end of the decade. Even as simple a concept as this would have to be stated in a somewhat complex form. At present, the LDC's have a wide spectrum of growth rates ranging from the negative to over 10% a year. A single figure would be insufficient as a target for all countries. It would probably be necessary to work out a series of targets for different classes of countries. That is to say, countries that have not been growing or growing very slowly should set themselves targets of, say, 4% GNP growth rates to be achieved by the end of the decade; countries that have had a positive but small rate of growth might set targets of 6 or 7%; countries that have been growing more rapidly than this already could either set themselves targets of maintaining their growth rate or perhaps raising it to 8 or 10%. I do not think that countries that have been growing more rapidly than 10% a year should be expected to set growth rates higher than that. Such a set of growth targets, it seems to me, is something that the UN General Assembly could reasonably be expected to agree to as world-wide objectives.

The sketch speaks in terms of other targets, some of which are ultimate objectives and might be considered

desirable in and of themselves, such as the food intake, provision of primary education, making the distribution of income more equal. I am sure that there is bound to be a great deal of pressure for the adoption of such multiple objectives. It is as difficult to argue against these as it is to argue against motherhood; however, one can have too much motherhood and some of these objectives in certain countries may be in direct conflict with the objective of economic growth per se. I would believe that the UN should include these other non-economic objectives in the manifesto but restrict the Development Decade goals simply to economic growth.

c) Calling for individual country pledges of the instrumental policies countries intend to follow to help reach the targets laid down. There should be no attempt at getting a single world-wide commitment to a single set of instrumental policies to achieve the growth targets. Each country should instead be asked to make a statement of the policies it intends to follow to help in the achievement of the growth goals. Attempting to lay down a single set of policies for both Ruanda, with a per capita GNP of around \$50, and for Venezuela, with a per capita GNP almost 20 times higher, is either absurd or meaningless. Ruanda and Venezuela are much farther apart economically than Venezuela is from the USA.

Even in one country the target may be attainable by different sets of alternative policies: A country may choose to attain growth by building up the public sector; another country may prefer to build up the private sector. One may be best able to secure savings by a policy of harsh taxation and feeding the savings back into the economy through public lending. In another, the best policy may be one of encouraging voluntary savings finance of both private and public sector investment. In almost every field there may be different roads to attaining the same objectives.

Neither the UN nor the World Bank can set a single framework of policies that will be applicable to everyone of the developing countries. The wise course would rather be to ask each of the developing countries, when it subscribes to the targets for the Development Decade, to pledge to follow what it regards as the appropriate development strategy to reach these targets. This

strategy should be as quantified as possible and have as much of a time table form as possible. The countries could from time to time, based on experience and advice, modify or expand their statements. These statements could then be used as an important test of performance by international lending agencies: e.g., if a country pledged a land reform program, there could be no complaint of interference with sovereignty if it was then expected to carry it out.

On their side, the developed countries should likewise each be asked to commit itself to a set of policies and actions that it will undertake to help the developing countries achieve the growth objectives during the 1970's. Each country, for example, could pledge the date by which it plans to achieve the 1% of GNP target for flow of aid to the LDC's. Again, one country might be able to do this more quickly while another might be able to reduce tariff barriers more quickly. Hopefully, this would result in some competitive pressure on each donor country to make a better pledge than some other country.

7. Under this set-up, the problem of review of progress during the Development Decade would be simplified: each country's performance would be measured against its pledge of development strategy or its aid promises. Obviously, this would not be as good as if some supra-national authority laid down the commitments for each country and then reviewed the progress made in carrying them out. But, in the absence of such an authority, this procedure should have considerable value.

#### AMK:ner

cc: Messrs. Friedman

Demuth Hoffman Stevenson Sacchetti

Miss Goris

UN - Dev, der

Mr. Demuth

Michael L. Hoffman

Second Development Decade

The more I ponder the papers we have received under cover of Mr. de Seynes' letter of July 2h, 1968, the more disturbed I become about the whole matter of DD II and the Bank's role therein. Although I have not been able to proceed from the feeling of deep disquiet to a clear formulation of what I think we ought to do, there are a few crystals beginning to form out of the murk, and I thought it might be useful, for purposes of discussion, if I tried to articulate them.

All three of the documents present difficulties. have the least difficulty with the UN's paper on projections. My reaction can best be put by saying that under the circumstances I don't see what Mosak's unit could do other than produce a paper substantially I think it is up to the Economics Department to decide like this one. whether we ought to make technical comments. We could suggest the introduction of additional alternative projections based on a third or fourth alternative capital output ratio, a fourth or fifth hypothetical terminal target rate of growth, and so on. We might be able to offer suggestions for improving the basic data. There is something odd about table 10, where a 6.5 percent terminal target rate for 1975 and 1980 yields a lower current account deficit than a 6 percent rate. One matter I think we should examine very carefully is the set of assumptions contained in footnote one on page 22. It is just not clear to me whether these assumptions make adequate provision for the effect of increasing debt services on net factor income payments and thus on the projections of the savings-investment gap. We might be able to give them some help on this. (The Ben King problem.) But on the broad question of realism, or lack of it in this exercise as a whole, and its relevance, I am not sure that we can or should say more than Mosak himself has said by way of qualifications about the projections. If we say they are "unrealistic," how would we make them more so? If we say the projected differences between external current receipts and payments cannot be financed, how do we know? And besides what business is it of ours to say what governments may or may not do by 1975 or 1980. Should we, like Gunner Mydal condemn the entire methodology as an illegitimate application of aggregative techniques, and recommend that the exercise should not be done at all. I do not think the Bank can take such a position. My present feeling, therefore, is that on this paper we should confine ourselves to such technical questions as the Economics Department thinks worthwhile, with perhaps a general commendation to Mosak for the restraint with which he has presented his results.

I find the paper on International Development Strategy (the Tinbergen Paper) far more objectionable than the Mosak paper. I am considerably clearer in my own mind as to how the Bank should react to it. Mr. Pawley has helped a great deal by his characterization of this paper as "little more than a manifesto." is riddled with sweeping conclusions about sets of problems on which, if we have learned anything over the years, we have learned that sweeping conclusions are unsupportable and generally dangerous. few: there are the statements on land reform (page 4); a statement on national and regional planning (page 4); the statement on increasing exports through "diversification of their structure, especially in manufactured goods" (page 4) - indeed almost all of the statements about what developing countries ought to do. Even some of the statements that seem innocuous at first glance will not stand analysis - for instance: "an improvement in the opportunities and living conditions of the lowest income groups is a necessary component of any consistent policy." from the problem of establishing rigorous definitions of "lowest income groups:" it is quite possible to define both a consistent and a successful development policy over periods as least as long as that covered by DD II that have little or no effect on "opportunities and living condi-In fact, I suspect it is happening tions" of the lowest income groups. in many countries that we regard as development successes. The above considerations lead me to the conclusion that one part of the Bank's comments on this paper should be to pick up Mr. Pawley's term and say that we regard it as essentially a manifesto on which it might be interesting to have comments by representatives of governments, but on which, because of its nature, it would be inappropriate for the Bank to express any views.

But perhaps out of concern for the future relevance of the whole UN involvement in development we should go further with respect to those parts of the paper concerning commitments, especially paragraphs 17 to 21. Here I think our experience, in connection with IDA, aid coordination and DAC, does provide the basis for a judgment on the part of the President of the Bank that the Tinbergen proposals are wholly unrealistic and that an attempt to put through the UN machinery resolutions embodying commitments of the scope, duration and precision that he has in mind will simply serve to discredit the UN. And we could document this at length if necessary.

The third paper on which we are asked to comment is the one containing questions addressed to the specialized agencies. There are four questions addressed to all specialized agencies and five addressed specifically to the Bank.

Of the four general questions, the first merely repeats the request for comments on the Tinbergen paper. The second asks for the quantitative implications for our activities of the target growth rates of 6 percent, 62 percent and 7 percent postulated in the Mosak paper. The third asks what we think is an appropriate development strategy for our activities, including priorities for different regions, target rates of expansion, and availability of the means for reaching such targets. The fourth question asks for the principal elements of the Bank's plan or programs for the 1970's, including copies of any such plans.

In my judgment we should simply not answer the fourth question. We should certainly not send the UN a copy of any version of our internal five-year plan. We should repeat what we have said before, that the nature of our activities does not lend itself to programming in the sense in which the UN uses the term. Questions two and three can be answered very broadly and loosely, but not in the quantitative terms requested. With respect to both questions two and three, the facts that the Bank is not the only source of development finance and that its relative importance as a source of such finance is changing and unpredictable, seem to me to be central.

I think we probably could produce some kind of answer to the five questions addressed specifically to the Bank, but I am by no means sure that we should do so.

Question one asks what we think might be the increase in net flows of financial resources during the 1970's under various assumptions and how much of that would take place through the Bank Group. We could develop a model of the DAC countries' economies and produce some alternative projections of net flows. Then assuming the same (or one or two alternative) proportions of the total flowing through the Bank Group, we could answer the last part of the question. My own view is that we should refuse to produce any such figures, as no matter how we qualify them, they are bound to be misused and ultimately in all probability cause trouble for the Bank. Besides, I don't believe our capital exporting member countries would welcome the production of such figures by the Bank.

I have the same reaction to the second question on what we think the absorptive capacity of developing countries would be during the decade of the 1970's. We should not produce any figures on this. The only answer to this that would seem to me appropriate, apart from a simple unwillingness to take a position, would be to run over some of the factors that affect absorptive capacity. This, of course, would add nothing to the sum total of knowledge about development.

Question three asks about ways and means of making the transfer of financial resources to developing countries more efficient. Here I think it might be worthwhile trying to work out a decent answer. We can point to the inefficiencies resulting from the unwillingness of donor countries to make long or even medium term commitments - the stop-go nature of current aid programs. We could cite the inefficiencies of aid that is primarily export promotion. We could cite the high cost of tied aid. We could point to the need for better coordination of bilateral and multilateral financing. We could say something about the inadequacies of capital markets. And so on.

Question four asks for our appraisal of the advantages and disadvantages of bilateral and multilateral aid. This is another one that we could answer but that I am not sure we should. Presidents of the Bank have from time to time expressed themselves on this subject, and I suppose we could repeat some of what has been said and then add that of course both kinds of aid are needed and include a plug for joint financing. What bothers me is the context. It is one thing for the President of the Bank to express general views. It is another thing for the Bank to submit a statement that is going to be thrown into a General Assembly debate where it might well be used by some delegations to beat others over the head. I would favor a bland statement to the effect that both kinds of aid play an important role plus a plug for joint financing, better coordination of T/A and finance, etc.

Question five asks for our estimate of the debt servicing burden of the developing countries in the 1970's. I suppose that we could, without too much work, make projections of what the burden would be assuming continuation of present gross flows and terms, and of what gross flows would be required on present average terms to yield net flows of the order of magnitude contained in the Mosak projections. We could also make some illustrative models to indicate the relative importance to a country's debt service burden of changes in interest versus changes in amortization terms, and so on. If this could be done, it seems to me it might be useful to have such calculations included in the material available to delegations when they debate DD II.

As a final point, I feel quite strongly that before we decide how to answer either the general questions or those addressed to the Bank we should make every effort to come to agreement with the Fund on a common approach to this whole exercise.

cc: Mr. Kamarck

MLH:mmcd

#### CROSS REFERENCE SHEET

COMMUNICATION:

Memo

DATED:

August 5, 1968

TO:

FILES

FROM:

Mr. F. Consolo

FILED UNDER:

LIAISON - ECOSOC

SUMMARY:

Re: ECOSOC - 45th Session - Second Development Decade

Mr. Philippe de Seynes Under-Secretary-General for Economic and Social Affairs Palais des Nations CH - 1211 Geneva 10, Switzerland

Dear Mr. de Seynes:

I have been asked to acknowledge receipt of and to thank you for your letter of July 2h, enclosing three draft documents prepared by a Working Group of the Committee for Development Planning, and certain other papers in connection with the preparatory work for the second United Nations Development Decade.

We have noted the questions addressed to the World Bank Group in the Conference Room Working Paper 2/Rev. 1 and will be pleased to give our comments and suggestions in reply to those questions to Mr. Mosak by January 2, 1969.

Sincerely Mours

Richard H. Demuth

Director

Development Services Department

### OFFICE DES NATIONS UNIES A GENÈVE



#### UNITED NATIONS OFFICE AT GENEVA

Télégrammes : UNATIONS, GENÈVE Télex : 22.212 ou 22.344

Téléphone: 34 60 11 33 40 00 33 20 00 33 10 00

REF. No:

(à rappeler dans la réponse)

Palais des Nations CH - 1211 GENÈVE 10

24 July 1968

Dear Mr. McNamara,

I am pleased to send herewith, for comments and suggestions relating to the preparatory work for a second United Nations Development Decade, three draft documents prepared by a Working Group of the Committee for Development Planning, and a paper prepared by the Centre for Development Planning, Projections and Policies of the Department for Economic and Social Affairs at United Nations The three draft documents prepared by the Working Group are: Headquarters. (1) "International development strategy for the nineteen seventies: a preliminary sketch" (Conference Room Working Paper 1/Rev.1), (2) "Preparation of a preliminary framework of international development strategy for the nineteen seventies: questions posed to organizations of the United Nations system" (Conference Room Working Paper 2/Rev.1), and (3) "Timetable for the completion of preparatory work for the second Development Decade" (Conference Room Working Paper 5/Rev.1). The paper prepared by the Centre is entitled "Developing countries in the nineteen seventies: preliminary estimates for some key elements of a framework for international development strategy" (E/AC.54/L.29/Rev.1).

Copies of two papers prepared by members of the Committee for Development Planning for the Committee's recent session are also being sent herewith, as these may be of relevance for assembling the material to be sent in response to the aforementioned documents. These two documents are: (1) "Strategic factors in economic development and some proposals for the second Development Decade", prepared by Mr. Roque Carranza (E/AC.54/L.25); and (2) "Comments on a procedure for reporting and evaluation of development progress during the nineteen seventies", prepared by Mr. Max F. Millikan (E/AC.54/L.28).

For the preparation of your comments and suggestions, I should like to draw your attention to the prefatory note to Conference Room Working Paper 2/Rev.l. As is explained in that note, it is necessary that your reply, in fifty copies in English and, if possible, ten copies in each of the other official languages of your organization, should reach Mr. Jacob L. Mosak, Director and Deputy to the Under-Secretary-General for Economic and Social Affairs, at the Centre for Development Planning, Projections and Policies, United Nations Headquarters, New York, no later than 2 January 1969.

Mr. Robert McNamara,
Present
International Bank for Reconstruction
and Development

1818 H Street, North West Washington, D.C. 2)433 U.S.A.

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#### UNITED NATIONS OFFICE AT SENEVA

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21 July 1969

Dong Mr. McNamara,

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Mr. Robert McNamara,

tresson.

International Bank for deconstruction

1915 H Street, North West Washington, D.O. 2)433

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You are well aware of the great importance of the task on which we have embarked. As I have emphasized on a number of other occasions, the successful completion of the task requires vigorous and co-operative efforts by organizations of the United Nations system. I look forward, therefore, with keen interest to your response.

Yours sincerely,

Philyh de Sugars

Philippe de Seynes Under-Secretary-General

for Economic and Social Affairs

gentile.

Hotel De Wittebrug.

The Hague, July 12, 1968

To Mr. Richard H. Demuth
Director, Development Services Department
International Bank for Reconstruction and
Development
1818 H Street, N.W.
W a s h i n g t o n D.C. 20433.

3643,

Dear Mr. Demuth,

Herewith I am sending you three copies of a draft memorandum covering the July 1 meeting of the ACC sub-committee on the Second Development Decade.

At his request, I am mailing one copy directly to Mr. Consolo in Geneva.

I shall be back in the office in Washington on July 24.

Sincerely yours,

Hayley J. Goris

Hotel De Wittebrug.

The Hague, July 12, 1968

To Ir. Richard H. Demuth Director, Development Services Department International Bank for Reconstruction and Development 1818 H Street, N.W. Washington D.G. 20433.

Dear Mr. Demuth,

Herewith I am sending you three copies of a draft memorandum covering the July 1 meeting of the AOO sub-committee on the Second Development Decade.

At his request, I am mailing one copy directly to Mr. Consolo in Geneva.

I shall be back in the office in Washington on July 24.

Sincerely yours,

1968 JHL 17 PM 3:38

Hayley J. Moria

Draft July X, 1968 12

To:Mr. R.H. Demuth From: H. Goris 4

Subject: Second Development Decade.

1. The A.C.C. Sub-committee on the Second Development Decade met in Geneva on July 1, 1968 under the chairmanship of Mr. Philippe de

The purpose of the meeting was to inform the U.N. agencies about the work of the Committee for Development Planning's working party. Mr. de Seynes also invited those present to axsk questions and eventually to voice criticism.

- 2. Prof. Tinbergen had convened the working party in Geneva from June 27 until June 29 to finish the work started in the plenary Committee session in Addis Ababa. The resulting four documents will shortly be sent to the U.N. agencies for comment and proposals, they are:
  - 1. development strategy paper
  - 2. revised macro economic model (distributed during the session; E/AC.54/L.29/Rev.l, dated 14 June 1968)
    3. series of questions (general and/or specific)

  - 4. revised schedule of operations.
- 3. Mr. de Seynes described the work on the Second Development Decade as a collective job for the U.N. family. A normative perspective can serve as a meaningful framework to guide the agencies in their activities. A more sophisticated approach than in the 'sixties is now feasible. The Secretary-General has the responsibility to present a scheme for the Second Decade to the General Assembly; the final presentation is far from clear yet. The Committee for Development Planning has its own task, but this cannot impair the freedom of the Secretary-General to submit, after consultation with the U.N. agencies, an independent paper in case of serious differences of opinion. Hopefully, the dialogue between the agencies - through the A.C.C. sub-committee - and the Committee for Development Planning will lead to convergent views, though
- The subject of the Second Development Decade appears on the ECOSOC summer 1968 agenda '); as to the working party meeting, the Secretariat intends to give general oral information. The four documents will not be sent to ECOSOC. After the U.N. agencies have submitted their comments and proposals and the Committee for Development Planning has held its spring 1969 session, ECOSOC will be involved more in detail.
- 5. When questioned why the four documents were not ready, Mr. de Seynes answered that this had been physically impossible; he also hinted that the subject had "somewhat imprudently" been put on the ACC Bucharest agenda.

<sup>&#</sup>x27;)Mr. Wightman's paper for a "charter of Development" and the World Economic Survey will be discussed.

- 6. Mr. de Seynes stated that with a certain amount of quantification a model can form a better basis for action by governments and U.N. agencies. No world model, not even one based on a country-by-country analysis, can replace the individual countries'concrete planning, but hopefully a model can set ambitious performance criteria and promote policy reorientation where necessary.
- 7. Moreover, three sets of policies and targets, for developed countries, developing countries and international agencies, have to be formulated. To choose a presentation in which the statement will really influence decision-makers is very important. The new U.N. Center for Economic and Social Information will help with this public relations aspect which is new to the U.N. Secretariat. Suggestions from the agencies are welcome.
- 8. Further, adjustment machinery should be considered; this need not be a new set-up. Mr. Millikan's preliminary paper did not meet with general approval in Addis Ababa, and the working group did not come up with an alternative ( Mr. de Seynes personally attaches much importance to this subject ).
- 9. After Mr. Mosak had briefly described the contents of the four documents, attention focussed on the macro-economic framework. Mr. Mosal sees this document, in contrast to the other, as the Center's own responsibility (in drafting it, the Committee's ideas were borne in mind, though). He had now added a 7% minimum terminal growth rate hypothesis at the Committee's request. The 6% and  $6\frac{1}{2}$ % rates could be achieved under the assumption of a 1% GNP capital flow, whereas for the 7% rate requirements would exceed this figure.
- 10. Basically, the Committee wants the U.N. to proclaim targets that involve some progress toward narrowing the gap between the rich and poor countries. Messrs Demuth and Pawley (FAO) not only questioned this point of departure, but also remarked that the underlying development philosophy had never been discussed among the agencies. According to Mr. Pawley, policies for implementation are the most important part of any plan, but this aspect has hardly been considered up till now. Not desirable, but feasible growth rates should be sought.

  Messrs de Seynes and Mosak repeatedly stated that the figures given were only estimates to start off the discussion. It is now up to the U.N. agencies to state their views, which may lead to the adoption of different targets. The agencies need not stick closely to the specific questions directed to them, but can come up with their own proposals for the whole exercise.
- ll. Mr. Demuth assured the sub-committee of the Bank's full cooperation to work out an agreed document. In addition to more sub-committee meetings, inter-secretarial contacts would be practical; in the Bank's case this might mean a series of meetings with the economic staff to find out what material the Center would need, and which conclusions might be drawn from the data.

- 12. Inter-secretarial contacts would certainly be we come, and to increase coordination, Mr. Mosak added, some agencies may even consider having staff members work temporarily at the Center as part of a team.
- 13. The U.N. Secretariat, not the Committee for Development Planning, will address the four documents to the agencies. If time permits, Mr. Mosak stated, the Center which has been asked to prepare a synthesis of replies, will draft a revised version of the strategy paper for discussion by the Committee in its Spring 1969 session.
- 14. The ACC sub-committee decided to discuss model and strategy further in october 1968; it was left open if both subjects would be discussed by the same representatives or if a technical meeting on the model would be called for, in addition to a more general meeting. Those present agreed that some agencies were involved in a rather indirect way only; it was therefore tentatively decided that a small group of directly contributing amgencies might meet to discuss targets and policies.
- 15. The Secretariat will distribute a note covering the major conclusions of this sub-committee meeting to participants.

The Hague. H.J. Goris.

cc Mr. Kamarck

Mr. Consolo ( draft sent directly to Geneva)

Mr. Waterston.

#### SECOND DEVELOPMENT DECADE

Ref: Mr. Philippe de Seynes letter of July 24, 1968, and Conference Room Working Paper 2/Rev. 1 of July 8, 1968

#### Answers to Basic Questions Addressed to all Specialized Agencies

1. This question asks for our views on the preliminary sketch of international development strategy in the 1970's (as set forth in Conference Room Working Paper 1/Rev. 1).

Our comments on the preliminary sketch are divided into three categories: first, some technical comments on the presentation of the proposals in the sketch; second, some doubts as to the feasibility of this whole approach; and finally, some suggestions as to an alternative approach that might be considered.

#### A. <u>Technical Comments</u>

The paper does not clearly separate objectives or targets from the instrumental policies to put them into effect. For example, the second sentence in the sketch appears to list among the targets "an increase in non-agricultural employment." Increase in non-agricultural employment has accompanied growth in GNP in most countries and, perhaps, could be regarded as an instrumental means to secure a rise in GNP. Considered as a final objective, however, countries could fairly easily attain it by putting people to work building pyramids, for example. (Even as an instrumental means in some circumstances it might be questionable -- for instance, some countries worry about too large a growth in employment in petty trade and other services.)

Once targets are clearly disentangled and separated from instrumental policies and listed as such, then -- if the approach of the sketch of trying to set uniform targets for all countries is followed -- it appears to us there is a need to provide some ranking or weighting of the targets or some guidance as to how to compromise among them. For example, it may be quite possible that a country may have to decide between investment designed to increase the numbers receiving primary education, which could be expected to upgrade the level of productivity of the whole economy over a period of, say, one generation, or investment in a factory or mine that will result in an increase in GNP within a year or two. The same sort of problem arises where quicker growth in agricultural output might come from concentrating investment on a few farms, but only at the expense of a more equitable distribution of income.

#### B. Comments on General Approach

We doubt very much that it is possible to lay down a single set of targets and instrumental policies that are desirable and effective in each developing country. The heterogeneity of the developing countries and the variety of problems faced by them can hardly be over-emphasized. They differ tremendously in the stage of development they have reached, in their natural resources and the obstacles presented by nature to development, in the compatibility of their institutions to development, in the attitudes of the people and their endowment of skills and experience, etc. It is not surprising that the sketch left blank the minimum calories per day needed per capita of food intake. Minimum needs vary with the climate and body size. Also left blank were the proposed increases in protein intake per day and in the reduction of the death rate. It might well be that a 10% increase in protein intake in a country where people are already getting, say, 95% of their protein needs may be excessive, whereas a 10% increase in a country where people

are only getting 50% of their needs would be far short of what should and could be achieved.

In some countries, due to the youth of the population, the average death rate is already below that of the industrialized countries. In these countries an improvement in the age-specific death rates could still be accompanied by an increase in the over-all death rate as the average age of the population increases.

There are similar problems about setting a single minimum rate of 3.5-4% per annum growth in per capita GNP during the 1970's. Some countries could attain this without too much difficulty by the beginning of the 1970's; others if they do extremely well might still fall short of achieving such a rate on the average "during the nineteen seventies." Should the latter regard themselves as failures -- even though they are performing extremely well?

### C. Suggested Alternative Approach

In the light of the practical impossibility of compressing all developing countries into a common mold, it seems to us that it might be wise to consider an alternative approach to a strategy for the development decade. In broad outline, this might be composed of three main elements:

(i) The first would be a set of growth targets that each developing country would set for itself as a feasible objective which it could
achieve by the end of the second development decade. The target for each
country would be chosen within specified limits laid down by the U.N. in
the strategy paper as feasible for broad categories of countries. For
example, countries that have consistently attained a growth of 10% or more
in their GNP per year would not be expected to set higher targets for the
second development decade. Countries that have had growth rates of, say,

4-6%, would not be expected to set targets for themselves that were more than, say, X% higher except in extraordinary circumstances; countries under 4% would set targets that were up to Y% higher, etc. The basis of this approach is that it is not reasonable to expect all countries to be able to set the same figure as a feasible target, nor can international agencies set the targets for the different countries -- the growth target for each country must be set by itself.

- (ii) Supplementing the growth targets, there would be a list of subjects on each of which the developing countries would be asked to state what action, if any, it would need to take during the decade as a way of attaining the growth target it had chosen for itself. Among the items covered would be such subjects as land reform (where this is necessary), family planning, tax structure and administration, growth of savings, education, planning procedures, etc.
- vestment program covering the first half of the decade. This program would be expected to fit in with the targets to be achieved by the end of the decade and would be expected to be consistent with the list of policy measures to be undertaken as mentioned above. The appropriate international agencies should be prepared to provide technical assistance to the less developed countries in this task where necessary. Both the IDC's and the developed countries would be asked, as far as possible, to quantify targets and to establish the timetable for the actions to be taken. The Secretary-General would be asked to communicate with each government concerned, after an appropriate interval, to obtain a brief report on action taken under these headings.

- (iv) For their part, the developed countries would also be asked to submit statements on another series of subjects. These would consist of the convergent measures necessary to help the developing countries grow.

  Among the matters covered here would be the date by which the country plans to achieve the 1% of GNP target for flow of aid to the LDC's; its target and the date for achieving it, for the percentage of GNP it will make available in official aid; the actions that it will take to remove particular trade restrictions and to grant trade preferences to the LDC's; the program of technical assistance that it will make available, etc.
- these questions, the Bank has concluded that it could most effectively respond to them as a group by explaining the factors that are likely to determine the size and scope of its activities during the 1970's rather than by attempting to deal with each question separately. Indeed, because these are questions addressed to several specialized agencies, each with a different structure, scope of activity, and method of operation, many of them are couched in a form that would make it almost impossible for the Bank, which is a development finance institution, to give a direct answer. To give only one illustration, it would be quite impossible for the Bank to estimate the effects on its operations by the late 1970's of an average growth rate of 6% for all developing countries as compared to an average growth rate of 6% or 7% for all developing countries (question 2). The size and scope of the Bank's operations are not responsive in any identifiable manner to changes in global average growth rates.

The basic strategy that will determine the size and scope of the Bank's operations for any period can only be defined in the context of a particular country, with due regard being paid to influences emanating from any regional

economic arrangements that may be in force or in prospect. On the basis of periodic examinations of a country's economic position and prospects and of a continuing dialogue between the Bank and the authorities responsible for economic policies and planning, the Bank endeavors to reach an understanding with the country as to its investment strategy. It is in the nature of the development process that these judgments cannot stand unaltered for very long periods of time. They must be reviewed continually; on the basis of such reviews operational decisions are made concerning the most effective manner in which the Bank can contribute to the country's development. Thus ideally, and to an increasing extent in practice, the Bank's operations are based on a development strategy for each country, arrived at in agreement with the responsible authorities of the country, and consistent with the financing methods open to the Bank under the Articles of Agreement and the policies approved by the Executive Directors.

Decisions concerning an appropriate volume and distribution of Bank financing that emerge from the process briefly outlined above, are subject to three important and interrelated kinds of constraints, none of which can be quantified with any great degree of confidence for the purpose of making projections as far ahead as the end of the 1970's.

(a) The Bank Group is not the only source and not even the only multilateral source of development finance for the less developed
countries. The size and scope of its operations are bound to be
affected by the size and scope of bilateral aid programs, private
capital flows, and the operations of other development finance
institutions, bilateral and multilateral. There is, therefore, a
need for continuing coordination at various levels and the nature
and scope of the Bank's activities in any country are bound to reflect the results of such efforts at coordination.

- to an agreed development strategy for a country may be limited by that country's capacity for servicing external debt. Debt servicing capacity is one of the features of the national economy that is under constant review by the Bank. It is also obviously influenced by changes in the terms and conditions of development finance available from other sources, mentioned under (a) above. Debt servicing capacity certainly cannot be predicted on the basis of assumed annual average growth rates for a country, much less for LDC's as a whole.
- (c) A direct consequence of (b) is that the size and scope of the Bank Group's operations in a country, and, ipso facto, in developing countries as a whole, will be subject to constraints imposed by the terms on which resources become available to the Bank Group. As far as the Bank itself is concerned, the availability of resources depends and will continue to depend essentially on the willingness of governments of capital-exporting countries to give the Bank access to their capital markets as a borrower. These resources become available on market terms and can only be relent on terms that reflect such market terms. So far access to capital markets has not in practice imposed any substantial constraint on the size of the Bank's operations and there is no present reason to believe that it will do so in the future.

However, the availability of resources for IDA is determined by quite different factors, essentially the appropriation by governments of the Part I countries of funds for the periodic replenishment of IDA's resources. These resources are made available to IDA without any requirement for the payment of interest or

amortyation and can therefore IDA by Pert I member governments and ear be lent to developing countries on very lenient terms. To the extent that the external financial pattern emerging from a country's developing strategy calls for finance on IDA terms rather than on Bank terms, limitations on the size of IDA's resources will limit the size and scope of the Bank Group's activities in that country. Because there are many developing countries that are not in a position to meet all their requirements for external finance on Bank terms, limitations on IDA's resources may impose a serious constraint on the future size and scope of the Bank Group's global operations, but it is obviously impossible to predict what the quantitative effects of this constraint might be at any particular future time.

It will be evident from the previous paragraphs that forecasting the level and scope of the Bank's activities, or their geographical distribution, for a period as long as a decade, would be an extremely hazardous business. The forecast would be dependent upon so many variables outside the control of the Bank, whose magnitudes themselves cannot be forecast with any reasonable degree of confidence, that the results of the exercise could only be stated with margins of error so large as to deprive them of any significance. Publication of any forecasts might give rise to expectations on the part of potential recipients of Bank financing that could not be fulfilled. On the other hand, if the Bank were to publish projections based on estimates of the amount of resources governments will be prepared to make available to IDA during the 1970's, it could justly be criticized for unwarranted anticipation of major political decisions on the part of its capital-exporting member governments. While the Bank must, of course, make forecasts of the level and scope of its operations for reasonable forward planning periods,

as a management tool, these forecasts by their very nature are subject to continual revision as the situation changes in one or another country in which the Bank expects to conduct operations in the months and years ahead. Figures emerging from such internal planning exercises as of any one date may be substantially different from those that would emerge a few months later and radically different from those that would emerge from a similar planning exercise carried out after another two or three years of operations. It would, therefore, be wholly misleading, even if it were otherwise possible, to provide figures derived from a current internal planning exercise as forecasts of the size and scope of the Bank's operations for any particular year as much as a decade in the future.

It may be of interest, however, to note what the Bank considered, as of September 1968, to be the probable expansion in the Bank Group's activities over the next 5 years if there were no shortage of funds and the only limit was the capacity of its member countries to use assistance effectively and to repay loans and credits on the terms on which they were made. With this in mind, we include the following extracts from the address of the President of the Bank to the Board of Governors on September 30, 1968:

"Let me begin by giving you some orders of magnitude. I believe that globally the Bank Group should during the next five years lend twice as much as during the past five years. This means that between now and 1973 the Bank Group would lend in total nearly as much as it has lent since it began operations 22 years ago.

"This is a change of such a degree that I feel it necessary to emphasize that it is not a change of kind. We believe that we can carry out these operations within the high standards of careful evaluation and sound financing that my predecessors have made synonymous with the name of the World Bank."

"Our five year prospect calls for considerable changes in the allocation of our resources, both to geographic areas and to economic sectors, to suit the considerably changed circumstances of today and tomorrow.

"First as to area: in the past the Bank Group has tended to concentrate its effort on the South Asian subcontinent. Much has been achieved — the harnessing of the waters of the Indus River system for power and irrigation for instance — and much remains to be achieved. I believe World Bank lending to Asia should rise substantially over the next five years. But is is not to Asia alone that our new effort will be directed. It is to Latin America and Africa as well, where in the past our activities have been less concentrated, and to some countries in great need of our help, such as Indonesia and the UAR, where our past activities have been negligible.

"In Latin America, I foresee our investment rate more than doubling in the next five years. But it is in Africa, just coming to the threshold of major investment for development, where the greatest expansion of our activities should take place. There, over the next five years, with effective collaboration from the African countries, we should increase our rate of investment threefold."

"Not only should our lending double in volume and shift geographically, but we can foresee, as well, dramatic changes among sectors of investment. Great increases will occur in the sectors of Education and Agriculture."

". . . we would hope over the next five years to increase our lending for Educational Development at least threefold.

"But the sector of greatest expansion in our five year program is Agriculture, which has for so long been the stepchild of development."

". . . our Agricultural dollar loan volume over the next five years should quadruple."

# Answers to Questions Addressed to the International Bank for Reconstruction and Development

1. This question asks what we consider the probable increase in net flows of financial resources to developing countries during the 1970's and how much of this we expect to take place through the Bank Group. As the phrasing of the question itself suggests, an answer could only be imagined in terms of alternative assumptions about "factors or attitudes" that will be determinative. "Attitudes" are not quantifiable and among the "factors" are such things as future balances of payments of capital-exporting and capital-importing countries, future government budget levels, future trends in world trade, future interest rates and a lot of other variables that it would be

futile to attempt to evaluate even a few years ahead. Consequently, the Bank does not believe it is possible to produce soundly based estimates of probable increases in resource flows over the decade of the '70's, or indeed to make a judgment as to whether there will be any increase at all. And it would be highly irresponsible, and a disservice to its member countries, for the Bank to place in circulation figures for which no sound basis in fact or in probability existed.

The reasons why the Bank cannot issue long-term projections concerning the size of its own operations have been covered in our answer to Questions 2, 3, and 4 addressed to all specialized agencies.

2. This question asks for our views as to the absorptive capacity of developing countries for an increase in the net flow of assistance from developed countries during the Decade. Many of the considerations referred to in our answers to Questions 2, 3, and 4 addressed to all specialized agencies also bear on the problems of making long-range forecasts of the absorptive capacity of developing countries as a group. While in connection with its continuing review of the economic progress of individual member countries the Bank at any given time would have a view, in general orders of magnitude, of a country's capacity to use external assistance on various terms, it seems to us that no useful purpose would be served by trying to quantify global absorptive capacity figures for as much as 5 or 10 years ahead.

There is, however, another way to approach this matter which may be more helpful. At its New Delhi conference the UNCTAD adopted the figure of 1% of gross domestic product as a target for the scale of financial assistance to be made available in various forms by the developed countries to the developing countries. Had this objective been achieved during 1967, the last year for which data are presently available, the equivalent of about \$15.1 billion

net would have been transferred in the form of "aid" instead of the \$11.9 billion net actually transferred by countries members of the DAC. The Bank believes that the developing countries could now absorb productively new external resources at least equal to what would correspond to the 1% of GDP of the developed countries as a group. We also believe, that on present prospects, their capacity to use external assistance productively will increase at least rapidly enough to enable them to utilize amounts corresponding to the 1% of GDP target during the years of the Second Development Decade. These considerations lead us to the conclusion that rather than attempting to reach any degree of precision with respect to the absorptive capacity of developing countries as a whole, it would be wise for governments and international agencies to concentrate, as a primary objective for the Second Development Decade, on reaching a level of annual net financial transfers from developed to developing countries at least equal to that indicated by the 1% of GDP target. Constraints on absorptive capacity undoubtedly exist and a continuing effort to reduce them must be a conscious concern of governments and international agencies. But in the Bank's judgment a level of net financial transfers consistent with the 1% of GDP target would be well within the absorptive capacity of the developing countries for the period of the Second Development Decade.

3.. This question requests the Bank's views on ways and means of making transfers of financial resources to developing countries more efficient. It seems useful to formulate the Bank's suggestions on this matter under several general headings.

# A. Extension of the Scope for International Competitive Bidding

It is probable that the most important element of inefficiency in present financial practices arises from the inability of developing countries

to use large portions of the financial assistance available to them for procurement from the most economical sources of supply. They are placed in this position because of the widespread application by capital-exporting countries of the practice of tying financial assistance to procurement in the country offering the assistance. Studies made by several developing countries show that the increased cost of capital equipment attributable to aid-tying is not a matter of a few percentage points, but very substantial.

It can be argued that, when financial transfers take the form of grants, the increased cost of goods attributable to tying is of no economic consequence to the recipient country. But even in such cases, limiting procurement to suppliers from one country may mean that the recipient must accept inappropriate or inferior equipment. And where such equipment is incorporated in a private industrial project, or a public project that is required to show a reasonable return on capital invested, at the stated cost, the prices of the goods or services ultimately produced will have to be correspondingly higher.

Additional and even more serious consequences arise, however, when the recipient has to borrow the tied money and pay interest and amortization thereon. If, because of aid-tying, a developing country must borrow \$1.5 million to purchase equipment or services which it could obtain elsewhere for \$1 million, its interest and amortization payments will be 50% higher than would be necessary to obtain \$1 million worth of capital assistance on the same nominal terms under competitive bidding procedures. It is obvious that the cumulative effects of aid-tying are, on the one hand, that a given volume of loans and/or grants finances less real transfer of resources than it would if more efficiently allocated, and, on the other hand, that

developing countries, as a whole, get less real development assistance than they might for the price they have to pay in the form of debt service.

The deleterious consequences of the spread of the practice of tying aid are fully recognized by officials of governments administering aid pro-Indeed, these consequences have been formally drawn to the attention of governments in a resolution adopted in 1965 by the DAC, meeting at ministerial level. Recognition that tied aid is inconsistent with the most efficient application of aid funds has not, however, been translated into positive measures to reverse the trend toward aid-tying. As some of the principal governments involved do not seem prepared at present to make a frontal attack on the problem, the Bank has been actively exploring techniques for combining tied financing with the practice of international competitive bidding so that, while national financing agencies would continue to finance only orders placed with suppliers in their respective countries, those suppliers would already have qualified as the most suitable source of equipment or services from the point of view of the borrower. The Bank also cooperates with the DAC Working Party on Financial Aspects of Development Assistance which is addressing itself to ways and means of mitigating the adverse effects on borrowers of aid-tying.

## B. Increased Continuity in Aid Programs

It is evident to anyone familiar with the present pattern of development assistance that there is an incompatibility between the nature of the development process in less developed countries and the manner in which development finance is made available to them. The development process is, of course, continuous. It does not stop at the end of a fiscal year or even the end of a plan period. The ability of governments to influence the

process depends on their ability to plan for continuous streams of investments in the various key sectors of the economy and of in-puts to maintain efficient operation of capacity created by those investments. Their ability to plan intelligently is seriously hampered by their inability to count on commitments of external financial support for their development programs for more than a few months ahead. It is sometimes argued that, because of the well-known lag between commitments and disbursements involved in most types of development finance, recipient countries, in practice, have a reasonably clear idea of what amounts will be available to them for several years ahead. argument ignores the heart of the problem, which is that unless the authorities in the developing countries can themselves maintain a continuing flow of commitments, in the form of investment decisions, there will be serious discontinuities in economic growth. And as matters stand today, the authorities in most developing countries have to make such commitments on the basis of hopes and expectations rather than firm knowledge of the external financial resources that will be made available by aid suppliers two, three, or four years in the future.

The underlying reason for this unsatisfactory situation is, of course, that administrators of most bilateral aid programs are unable to make commitments for more than one year ahead. Their programs are financed by national budgets which normally do not permit long-term commitments in support of development programs in recipient countries.

Much of the inefficiency that arises from the stop-go nature of most present bilateral aid programs could be removed if legislatures could be persuaded to recognize the need for continuity in aid flows and extend the authority of aid administrators to make at least tentative and conditional commitments for several years ahead. This is easy to state but difficult to

envisage as a practical political possibility for most donor governments. The Government of the Netherlands has, however, made an important step forward by programming its development assistance for four years ahead, thus enabling it to give recipients of Dutch aid indications of the probable scale of its commitments for more than a year ahead. It should be possible in connection with the discussions of strategy for D.D. II to promote increasing awareness of the incompatibility between the inherent long-term nature of the development process and the restrictions on national aid administrations that make only short-term commitments possible.

# C. Improved Administration for Dealing with External Assistance in Recipient Countries

The Bank finds wide differences among developing countries in their capacities for efficient handling of the external assitance available to them. Some countries have well-established and well-administered machinery for directing finance to priority projects, avoiding overcommitment of resources to one or two sectors, preventing single ministries or autonomous agencies from accepting unwise financial commitments or accepting external finance for poorly conceived or low priority projects, negotiating effectively with various potential sources of finance and technical assistance, and directing pre-investment activities into productive channels. In some countries, on the other hand, these matters are still handled in a haphazard manner, which often leads to frustration on the part of donors and recipients alike. It would not be useful to attempt to generalize concerning methods of eliminating this source of inefficiency. What can be said, on the basis of experience, is that where the political determination to make the best use of external assistance exists, it is possible to obtain technical assistance for the purpose of improving the administration of aid within recipient countries

and that such technical assistance should be used to an increasing extent.

The Bank is already assisting several of its member countries to improve their machinery for utilizing external assistance and is prepared to enlarge its activities in this field.

#### D. Better Access to Capital Markets

The efficiency of capital market institutions in the developed countries affects the transfer of resources to the less developed countries, both directly and indirectly. Some less developed countries are able to borrow on their own credit. Such countries would benefit from easier access to capital markets and from better and cheaper machinery for distributing securities to potential investors. All capital exporting countries restrict access to their markets by foreign borrowers for reasons that have nothing to do with capital movements between developed and developing countries. Some governments grant some less developed countries preferential access to their capital markets. But there is no uniformity of practice and it would seem possible, perhaps through joint action, to extend the scope of this preferential treatment to all creditworthy developing countries and their agencies and subdivisions.

The developing countries as a whole would also benefit indirectly from improvements in the markets for the bonds of the World Bank and other multi-lateral development finance institutions. High issuing costs and poorly developed systems of distribution result in these institutions being able to place only small issues in some countries, and, in other countries, practically exclude them from what should be significant markets for their obligations. Methods of broadening and modernizing capital market machinery, especially in Western Europe, could contribute significantly to the efficiency with which financial transfers from developed to less developed countries can take place.

#### E. More Flexible Aid Policies

There are a number of other characteristics of present aid programs that reduce the efficiency with which a given amount of development assistance can be employed by recipient countries. In a general way, these factors may be attributed to the lack of sufficient flexibility for aid administrators to adapt their programs to the priority requirements of developing countries as a whole, and of particular recipient countries. The geographical allocation of aid is subject to constraints imposed by a variety of considerations, such as historical connections between donors and recipients, strategic considerations and, in the case of the multilateral institutions, the restriction of their activities to their member countries. In no case do aid administrators have a completely free hand to allocate assistance to the Third World as a whole exclusively on the basis of such developmental criteria as absorptive capacity, economic performance, or one or more indexes of "need." The institutions of the World Bank Group are the least subject to such geographical constraints because of the very wide, though not universal, membership of developing countries in those institutions, and the absence of any noneconomic criteria for the allocating of their resources among member countries.

Elements of inflexibility that affect the adaptability of aid to the requirements of particular countries include restrictions of assistance to particular kinds of projects, or to one or a few economic sectors and, of course, restrictions on the terms of aid. Another important source of inflexibility has been limitations on the ability of donors to assist countries whose need, over a certain period, is for external finance that will enable them to maintain or increase the rate of utilization of existing industrial capacity rather than for assistance in increasing capacity. For such

countries, a greater degree of flexibility in granting so-called program loans, or in financing the local currency component of projects, as opposed to financing restricted to the foreign exchange component of capital projects, would lead to more efficient application of external assistance.

In general, it can be safely asserted that if aid administrators were given more freedom to tailor their programs to the clear priority requirements of recipients, rather than basing them on a priori rules as to the form, terms and direction of aid, greater all-around efficiency in the transfer of rescurces to developing countries would result. It is becoming increasingly possible to identify such priority requirements. Improved economic management and planning in many developing countries are enabling them to identify and quantify the types of external finance likely to be most effective in supporting their development programs over the short and medium term as well as to present a clearer picture of an appropriate long-term strategy for them, and for those government and international agencies willing to assist them. The continuing review of member countries' problems and prospects by the World Bank and other multilateral agencies is steadily increasing the fund of knowledge and experience available to aid administrators. Finally, through consultative groups, consortia and other aid coordination machinery, governments, multilateral agencies and aid recipients are, to an increasing extent, arriving at common understandings about priority needs and appropriate financial terms on the basis of which all concerned with a country development effort can, if not subject to too many constraints, base policies and decisions.

4. This question asks how, in the light of experience gained in the past few years, we would reappraise the advantages and disadvantages of bilateral and multilateral aid for the parties concerned and the possibility of combining these two forms in order to increase the efficiency of aid.

It is difficult to generalize about multilateral and bilateral aid.

The number of donor countries and of international organizations involved is large, and the variety of programs is considerable; some difference of approach rices more from pragmatism than from inherent distinctions of principle; and in any case, what may be an advantage in one set of circumstances can easily be a disadvantage in another.

Multilateral and regional organizations still derive much of their potential from the simple fact that they are international. They need not reflect the mixture of motives that may blur the objectives and effectiveness of bilateral aid. They do not press for the diplomatic, commercial or military advantages that sovereign states have tended to seek from development aid; they are less likely to be under short-term pressures and, as compared to any single bilateral program, may be less subject to interruptions arising from international disagreements or national politics. They are able to pay more regard to strictly developmental criteria of operations, to apply more continuous effort to long-range development programs, and to be attentive to developing countries which, for want of historical or diplomatic links to donor countries, might otherwise be neglected. Relative to the amount of resources the international institutions are able to proply, they may be more effective in achieving development objectives.

The international character of the multilateral institutions also gives them access to a wide range of knowledge and skills. Regional institutions, for example, are uniquely placed to help conceive and realize opportunities for regional development and regional economic cooperation. Development finance provided by multilateral and regional institutions, since it commonly bases the procurement of goods and services on international competitive

bidding, and thus enables the recipient to buy from the most economical source of supply, is considerably more valuable to developing countries than most bilateral aid, in which nearly all procurement is limited to individual donor countries. (See answer to Question 3 addressed to the Bank.)

International organizations are politically neutral in principle, and in their governing bodies include representatives both of developed and of developing nations. They have therefore been entrusted with tasks which might not be as well or as acceptably performed bilaterally. They have been the logical leaders of consortia, consultative groups and other cooperative arrangements formed for the purpose of coordinating aid to individual developing countries. Small countries among the developed nations have chosen to channel much of their aid through multilateral organizations, in preference to creating comprehensive aid administrations of their own. Representatives of multilateral organizations have filled advisory or executive posts in the developing countries in which nominees of developed countries probably would not have been equally welcome; and it may be easier for developing countries to make politically difficult decisions on the basis of advice from an international agency than from a national government.

The financial resources available to multilateral organizations, however, are much smaller than the total deployed by national agencies. Paucity
of resources has made it difficult for international institutions to keep
from spreading their efforts too thinly. It may also make these institutions
more cautious, less innovative and slower to act than otherwise might be the
case.

Bilateral programs serve the national interests of donor countries more visibly than multilateral programs, and it has been easier, on the whole, to muster public and financial support for them. Bilateral programs in total

not only command larger resources, but typically are concentrated in fewer recipient countries. Within a particular developing country, they may represent a more comprehensive assistance effort than a multiplicity of small multilateral undertakings.

Bilateral programs, since they deal with political and other nondevelopmental objectives, also have the possibility of being more flexible
in form and administration, more experimental in nature, and more quickly
responsive to emergencies or unexpected opportunities. Bilateral aid, for
example, has provided most of the program (i.e., non-project) aid received
by developing countries, while multilateral institutions for the most part
have given their capital assistance in the more traditional form of project
finance.

Special relationships between countries may also enhance bilateral programs. The assistance given by metropolitan nations to former overseas territories, based on long and often unique experience, has been administratively and technically expert, and has been given on a scale larger than could have been expected of multilateral programs. Countries with highly developed technical and economic specialities also are able to give technical assistance of particular value in their chosen fields; and some of these have preferred to carry on their own technical assistance programs at the same time as they channel funds for the purchase of capital goods through multiplateral organizations.

Bilateral and multilateral aid can be effectively combined. Examples are mentioned in response to Question 3 addressed to the Bank: groups formed to coordinate the assistance of donor nations and international organizations in a single country; and joint financing of projects by national and international institutions.

Combinations of project financing by a multilateral agency and bilateral technical assistance for the implementation of the project are becoming quite common. The World Bank actively seeks technical support from national agencies in connection with many of its projects in education, agriculture and transportation. While international teams of experts may provide insurance against distortions of technical assistance in the narrow interests of one donor country, this insurance can be effectively provided by placing national teams under the supervision of a multilateral agency, while retaining the very considerable advantages of ease of intercommunication, common technical backgrounds, common understanding of institutional problems and other features that enhance the efficiency of national teams.

A growing number of ways are being found in which bilateral and multilateral aid can be combined in order to have some of the advantages of each. In any case, the need is clearly not to have more of one and less of the other; the need is to have more of both.

Development Services Department International Bank for Reconstruction and Development

October 23, 1968

### DECLASSIFIED

Distr. RESTRICTED

Conference Room Working Paper 2/Rev.1 8 July 1968

ORIGINAL: ENGLISH

OCT 0 8 2021

## WBG ARCHIVES

WORKING GROUP OF THE COMMITTED FOR DEVELOPMENT PLANNING

Geneva: 26-28 June 1968

PREPARATION OF A PRELIMINARY FRAMEWORK OF INTERNATIONAL DEVELOPMENT STRATEGY FOR THE NINETEEN SEVENTIES: QUESTIONS POSED TO ORGANIZATIONS OF THE UNITED NATIONS SYSTEM

	Contents	Page
		2
Prefatory no		~
I.	Questions to regional economic commissions	. 4
II.	Basic questions to organizations other than regional economic commissions	5
III.	Additional questions to organizations specified	5
	United Nations Conference on Trade and Development	5
	United Nations Industrial Development Organization	5
	International Labour Organisation	7
	Food and Agricultural Organization of the United Nations	. 7
	United Nations Educational, Scientific and Cultural Organization	3
	World Health Organization	3.
	International Bank for Reconstruction and Development	8
	International Monetary Fund	. 9
*	United Nations Development Programme	9

#### Prefatory note

The questions contained in this list are designed to obtain comments and suggestions from organizations of the United Nations system with a view to assisting the Centre for Development Planning, Projections and Policies of the United Nations Secretariat and the Committee for Development Planning in carrying out the preparatory work on guidelines and proposals for the nineteen seventies, which the General Assembly intends to proclaim as a second United Nations Development Decade. The list is by no means exhaustive; nor is it implied that the comments and suggestions must necessarily be limited to the questions posed. The organizations are invited to feel free to comment as deemed proper in the light of their expertise. However, the comments and suggestions should focus exclusively on the material directly relevant for the preparation of a preliminary framework of international development strategy for the coming decade in accordance with General Assembly resolutions 2218B (XXI) and 2305 (XXII) and Economic and Social Council resolutions 1152 (XLI) and 1260(XLIII).

Section I contains the questions to be answered by the regional economic commissions. The basic questions indicated in section II refer to all other organizations of the United Nations system. However, the organizations which are actively engaged in planning work relating to individual sectors of the world economy are requested to provide replies to a number of additional questions of a more specific nature; these questions are contained in section III. It will be readily evident that the organizations specified in section III need to answer these questions together with those contained in section III.

The specific questions to the organizations of the United Nations system are based on the premise that much of the systematic knowledge used to estimate the future magnitudes of various activities in different countries consists of information on the side of demand rather than of supply. As a rule, information on supply possibilities is more specific in character, and it is in this respect that the specific expertise of organizations of the United Nations system can contribute a great deal. In other words, the specific questions posed are intended to profit from the expertise of organizations in order to improve the overall picture of world development available from models covering the world as a whole or a large part of it.

For the preparation of replies, attention is invited to the documents that accompany this list. These relate to (i) "International development strategy for the nineteen seventies: a preliminary sketch" (Conference Room Working Paper 1/Rev.l) and (ii) "Timetable for the completion of preparatory work for the second Development Decade" (Conference Room Working Paper 5/Rev.l), both prepared by the Working Group of the Committee for Development Planning, and (iii) "Developing countries in the nineteen seventies: preliminary estimates for some key elements of a framework for international development strategy" (E/AC.54/L.29/Rev.l), prepared by the Centre for Development Planning, Projections and Policies.

Copies of two documents prepared by members of the Committee for Development Planning for the Committee's last session, held at Addis Ababa in April-May 1968, are also being sent herewith, as these may be of relevance for the preparation of replies. These two documents are: (i) "Strategic factors in economic development and some proposals for the second Development Decade", prepared by Mr. Roque Carranza (E/AC.54/L.25); and (ii) "Comments on a procedure for reporting and evaluation of development progress during the nineteen seventies", prepared by Mr. Max F. Millikan (E/AC.54/L.28).

To facilitate the use of comments and suggestions in the preparation of a synthesized report in time for the next session of the Committee for Development Planning as a preliminary step to the submission of an appropriate report to the Economic and Social Council, as well as to keep the members of the Committee informed about the comments and suggestions as they are received, it is necessary that the replies, in fifty copies in English and, if possible, ten copies in each of the other official languages of the organization concerned, should reach Mr. Jacob L. Mosak, Director and Deputy to the Under-Secretary-General for Economic and Social Affairs, at the Centre for Development Planning, Projections and Policies, United Nations Headquarters, New York no later than 2 January 1969.

#### I. Questions to regional economic cormissions

- 1. In the light of the experience and problems of your region during the present United Nations Development Decade, what are your views on the preliminary sketch of international development strategy for the nineteen seventies (as set forth in Conference Room Working Paper 1/Rev.1)?
- 2. What are, in your judgement, the quantitative implications for economic expansion and policies of your region of the minimum terminal target rates of economic growth of 6, 6.5 and 7 per cent per annum to be achieved in developing countries by the end of the mineteen seventies (as postulated in document E/AC.54/L.29/Rev.1)? What in particular are the quantitative implications for goals and measures relating to major components of the region's economy and to major countries of the region?
- 3. What do you think will be an appropriate development strategy for your region in the nineteen seventies?
  - (a) What do you consider to be the priorities for your region in the nineteen seventies?
  - (b) What target rates of economic growth, aggregate and per capita, do you consider feasible for your region in the nineteen seventies? Indicate the justification and the key assumptions underlying your views on the goals for your region. Indicate as far as practicable feasible rates of economic expansion in sub-regions and countries as well as in economic and social sectors of the region.
  - (c) What are the means requires for attaining such targets or goals?

    Summarize in, as far as possible, quantitative terms the major means required.
- 4. What do you consider to be an appropriate strategy of development for specific sub-regional groupings of countries in your region, particularly taking into account the effects of regional integration activities?
- 5. What quantitative details in goals and measures are provided in the perspective plans, if available, for your region, or for sub-regions, or for individual countries, or for specific economic and social sectors of the region? If possible, send copies of these plans along with your reply, together with relevant statistical data and analyses.

# II. Basic questions to organizations other than regional economic commissions

- 1. In the light of your experience and problems in your area of activity during the present United Nations Development Decade, what are your views on the preliminary sketch of international development strategy for the nineteen seventies (as set forth in Conference Room Working Paper 1/Rev.1)?
- 2. What are, in your judgement, the quantitative implications for expansion and policies relating to your area of activity of the minimum terminal target rates of economic growth of 6, 6.5 and 7 per cent per annum to be achieved in developing countries by the end of the nineteen seventies (as postulated in document E/AC.54/L.29/Rev.1)? What in particular are the quantitative implications for goals and measures relating to major components of your area of activity?
- 3. What do you think will be an appropriate development strategy for your area of activity relating to different developing regions in the nineteen seventies?
  - (a) What do you consider to be the priorities for your area of activity relating to different developing regions in the nineteen seventies?
  - (b) What target rates of expansion do you consider feasible for your area of activity relating to developing countries, both as a whole and grouped according to geographical regions, in the nineteen seventies? Indicate the justification and the key assumptions underlying your views on the goals for your area of activity.
  - (c) What are the means required for attaining such targets or goals? Summarize in, as far as possible, quantitative terms, the major means required.
- 4. What are the principal elements not only goals and means but also the underlying assumption of the indicative plan or programmes, if already formulated, for your area of activity relating to different developing regions? If possible, send copies of such plans or programmes with your reply, together with relevant statistical data and analyses. If such plans or programmes have not been formulated, what statistical information is available to permit their preparation?

#### III. Additional questions to organizations specified

#### United Nations Conference on Trade and Development

- 1. What is, in your opinion, the best evidence available to judge the possibility of further import substitution or export promotion in developing countries? What measures can be taken, in some of the more important developing countries, to achieve a few alternative goals for additional import substitution or export promotion?
- What alternative goals can you suggest for changes in the terms of trade during the nineteen seventies? What requirements would have to be fulfilled for such goals to materialize?
- 3. What instruments of financial transfers do you consider useful for the second Development Decade?
- 4. How would you, in the light of the experience gained in the past few years, re-appraise the advantages and disadvantages of bilateral and multilateral aid for the parties concerned and the possibility of combining these two forms in order to increase the efficiency of aid?

#### United Nations Industrial Development Organization

- 1. In the light of the experience of the present United Nations Development Decade, what specific recommendations can be directed to developing countries with regard to particular export-promoting and import-substituting industries?
- 2. What industrial and related trade policies need to be followed by developed and developing countries for an appropriate strategy of industrial development of the latter?
- 3. What information do you have on the capital-output ratios and employment-output ratios for new enterprises by countries and industries?
- 4. What preliminary ideas do you have about increasing the absorption of labour in manufacturing and related activities?
- 5. What estimates are available of the total costs involved of accelerating the development of industries, such as metal working, which provide employment to skilled labour?
  - (A number of alternative rates of acceleration might be chosen for the purposes of estimation).

6. What studies do you have on the increases in demand to be expected for industrial products - in the aggregate as well as for a large number of individual products - taking into account (a) increases in income and (b) changes in technology?

#### International Labour Organisation

- 1. What possibilities do you see of increasing employment (of a type involving higher proportions of labour to capital) beyond the figures based on historical relationships prevailing between macro-economic variables, such as the estimates contained in document E/AC.54/L.29/Rev.1? (As appropriate, qualitative indicators or indicators for specific projects for example, road building or handicraft industries may be included).
- 2. What are the possibilities and what would be the costs, in terms of money as well as in terms of training of manpower, of accelerating the expansion of employment in industries, such as metal working, which require skilled labour?

  (A number of alternative rates of acceleration might be chosen for the purposes of estimation).
- 3. What wage policies would you suggest for developing countries in the nineteen seventies? What would be the consequences and limitations of such policies for income distribution?
- 4. What world-wide estimates do you have on the demand for and the supply of manpower training experts in developed countries for work in developing countries?

## Food and Agricultural Organization of the United Nations

- 1. When will the Indicative World Plan for agriculture be ready?
- 2. What would be the financial requirements of the Indicative World Plan?
- 3. Can you indicate some higher alternatives for the supply of most important commercial crops than those envisaged at present in the Indicative World Plan?

  What requirements must be met (in investment, in the use of inputs, in education, in price policies, in international trade, in the policy of income distribution, in institutional changes) in order to reach the higher alternatives?
- 4. What estimates are available for the import requirements in coming years of developing countries for major agricultural products? Also, what are the estimated levels of foreign exchange earnings of these countries from the future exports of major agricultural commodities?

- 5. Would developing countries need to attain self-sufficiency in the supply of food?
- 6. What world-wide estimates do you have on the demand for and the supply of agricultural experts available in developed countries for work in developing countries?

#### United Nations Educational, Scientific and Cultural Organization

- Which countries have education plans for the secondary and the third level education? What are the main features of those plans?
  What estimates have you prepared for developing continents as a whole of the secondary and the third level education required?
- 3. For what countries do you have manpower-requirement estimates of the secondary and the third level education needed by 1975 and 1980? What are the main features of those estimates?
- 4. What world-wide estimates do you have on the demand for and the supply of technicians (experts) and teachers available in developed countries for work in developing countries?
- 5. What changes in teacher-pupil ratios do you recommend for the second Development Decade?
- 6. Is it possible and if so how to reduce costs per pupil without jeopardising the quality of education? What are your estimates of costs by region and country?
- 7. What are your estimates of the resources required to achieve desirable improvements in education during the second Development Decade? If possible, give separate estimates of required government expenditure on education.

#### World Health Organization

- 1. What do you consider to be the best quantitative indicators of health conditions in developing countries?
- 2. What are your estimates of the resources required to achieve desirable improvements in health during the second Development Decade? If possible, give separate estimates of required government expenditure on health.

## International Bank for Reconstruction and Development

1. What do you consider to be the probable increase in net flows of financial resources from developed to developing countries during the nineteen seventies under alternative assumptions with regard to the factors or attitudes that you think are central? How much of that increase do you expect to take place through the IBRD group of institutions?

- 2. What do you consider to be the absorptive capacity of developing countries for an increase in the net flow from developed countries during the coming decade?
- 3. What would be the ways and means of making the transfer of financial resources to developing countries more efficient?
- 4. How would you, in the light of the experience gained in the past few years, re-appraise the advantages and disadvantages of bilateral and multilateral aid for the parties concerned and the possibility of combining these two forms in order to increase the efficiency of aid?
- 5. What estimates do you have of the debt-servicing burden of developing countries in the nineteen seventies?

#### International Monetary Fund

- 1. What increase in international monetary reserves do you consider probable or necessary under alternative assumptions for the nineteen seventies?
- 2. What is your opinion about the suggestion that the new reserves could be used as a form of financial assistance to developed countries? What proportion of the new reserves do you think should be made available for this purpose?

#### United Nations Development Programme

- 1. What would be the ways and means of making the transfer of financial resources to developing countries more efficient?
- 2. How would you, in the light of the experience gained in the past few years, reappraise the advantages and disadvantages of bilateral and multilateral aid for the parties concerned and the possibility of combining these two forms in order to increase the efficiency of aid?

thated 27, 1168

Mr. Jacob L. Mosak
Director for Economic and
Social Affairs
United Nations, New York

Dear Jack:

Thank you for sending me five copies of your paper, which just arrived, on the Second Development Decade.

With all best wishes,

Sincerely,

A. M. Kamarck (signed)

Andrew M. Kamarck
Director
Economics Department

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Mr. Jacob L. Mosak Director for Economic and Social Affairs United Nations, New York

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With all best wishes,

Sincerely,

A. M. Kamarck (signed)

Andrew M. Kamarck Director Economics Department

1968 JUL -5 AMII: 17

INTERNATIONAL FINANCE CORPORATION

UN- Dewlopment

# OFFICE MEMORANDUM

TO:

Mr. Robert S. McNamara

DATE:

June 25, 1968

FROM:

Richard H. Demuth

SUBJECT:

United Nations Development Decades

The designation of the 1960's as "The Development Decade" was the result of an American initiative. It was formally proposed by President Kennedy in a speech to the United Nations General Assembly, September 25, 1961. On December 19 of that same year, the Assembly passed a resolution designating the 1960's as "The United Nations Development Decade" and urging member states and their people to "intensify their efforts to mobilize and sustain support for the measures required on the part of both developed and developing countries to accelerate progress towards self-sustaining growth of the economy of the individual nations and their social advancement."

Neither the U.S. proposal nor the final resolution contained anything that could properly be called a strategy for the Development Decade of the 1960's. The one target that was quantified, and subsequently became rather widely known, was a "minimum annual rate of growth of aggregate national income of 5%" for the developing countries by the end of the Decade. One of the curiosities in the present development scene is that the U.N. Development Decade is widely referred to as having been a failure although the only quantitative target it set seems very likely to be reached or nearly so. At any rate, the growth of gross national product of developing countries during the first seven years of the Decade was 4.9%. It seems very likely, in retrospect, that as recently as 1961 consciousness of what the high rate of population growth would do to reduce any given growth rate when expressed in per capita terms was much less widespread than it is today and that increasing awareness of this factor explains much of the sense of disappointment with growth results.

In 1966 and again in 1967 the General Assembly began preparing for a Second Development Decade, now set to begin on January 1, 1971. Two main lines of work are involved which are supposed to be coordinated by the ACC Subcommittee on the Development Decade of which we are a member. These are:

- (1) The drafting of a statement of general principles, as enunciated in directives and guide lines contained in resolutions, declarations, and similar texts of the United Nations and the Specialized Agencies. It is thought that such a statement might provide the basis for a "Charter for Development." This paper has been drafted and circulated. It is merely a compendium, although an extremely good one, of everything that has been said by various U.N. bodies about what they conceive to be the objectives of economic and social development. It is, so to speak, a summary of the collective expression of the philosophy that ought to guide development efforts. (Draft E/4496 of 26 April 1968, copy attached.)
- (2) The preparation of a framework for an international development strategy consisting of development targets and the main lines of action to achieve them. For this work, so far the Secretary-General has been relying

mostly on the U.N. Committee for Development Planning. This Committee was set up in 1966 by ECOSOC as a "group of highly qualified experts, representing different planning systems, who would make their experience in development planning available to the United Nations." It is not merely an advisory body to the Secretary-General; it was specifically instructed by ECOSOC to work, in consultation with the Secretary-General, on guide lines and proposals for the Second Development Decade and it reports directly to ECOSOC.

A list of members of the Committee is attached. The Committee is dominated by Professor Tinbergen, a distinguished Dutch economist and an authority on macro-economics, who is its chairman. He is devoting a great deal of time to this work and is promoting his ideas both in the framework of the Committee and in other international forums. The Committee has a work schedule that calls for preparation of a final report by the Secretary-General to the General Assembly in early 1969. The most recent substantive discussion was held in a meeting of the Committee in Addis Ababa, April 29 - May 10, 1968, which was attended by Mr. Kamarck and Miss Goris representing the Bank. The following paragraphs are taken from Mr. Kamarck's report on that meeting.

The meeting I attended in Addis Ababa of the Committee on Development Planning devoted much of its time to the discussion of what its recommendations should be for the Second Development Decade. (When this item of the agenda was being considered, the Chairman made it clear that he did not want any contribution to the discussion from the World Bank Group or the U.N. Specialized Agencies present, whereas in the rest of the meeting, he had welcomed any remarks we had to make.) Based on the discussion at this meeting, a working party of the Committee is to meet at the end of June in a closed session to complete its first draft of the proposed development strategy. This will be sent to the U.N., the U.N. Specialized Agencies and the World Bank Group for comments. In early 1969, the Committee is then to prepare its final report to the Secretary-General and the General Assembly.

Judging from the Addis meeting, the goals and the development strategy that will be recommended by the Committee will be "maximal" rather than "realistic" or feasible. The growth target is likely to be set at 4% growth per annum of per capita GNP as a minimum during the 1970's for each developing country. Targets are also to be set for minimum levels of food consumption, education and level of employment as well as for rates of growth in industry, agriculture and other sectors. The strategy to achieve these targets is to consist of a series of measures to be taken by the developed countries on the one hand, and the developing countries on the other. According to the Addis meeting, the developed countries are to have to make available 1% of their GNPas a minimum in net transfers to the LDC's by 1972. This should include a substantial amount for IDA and other multilateral organizations. Among a series of other highly desirable measures are also to be included recommendations for a quick setting up of the Supplementary Finance scheme as well as of the International Investment Insurance scheme, etc.

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The developing countries are to take such measures as "a general increase in efficiency and stimulation of human attitudes open to innovation.... "An important effort to expand and to improve qualitatively their educational system must be undertaken." These, however, are not stated in quantitative or other terms that would be easily susceptible to outside checking as to performance.

It is hard to quarrel with the basic idealism of the objectives and measures to be taken. But the statement is not likely to qualify as a realistic strategy of development for the 1970's. (The preliminary projections for the 1970's by the U.N. Secretariat, which appear quite reasonable, indicate that a large increase in the rates of growth of the developing countries during the 1970's is attainable with some improvement in their performance and with a build-up over the decade of the net capital flows from the developed countries to 1% of their GNP.) The attempt to set down a uniform set of minimum quantitative goals to apply to the major sectors of each developing country betrays a lack of appreciation of the enormous diversity of the development problems in the different developing countries across the world. The measures laid down for the developed countries to take are, as far as one can see today, not likely to be acceptable to them since the even less demanding goals of UNCTAD II were unacceptable. While the developing countries have the votes to put such a set of recommendations through the General Assembly, this would be of little use if the developed countries can easily shrug off the whole proposal as being completely unrealistic.

I believe that Mr. de Seynes, Under Secretary General for Economic and Social Affairs, who attended the Addis meeting, shares at least part of my conclusions on this. UNCTAD definitely does: the present orientation of UNCTAD appears to be to concentrate on a development strategy consisting of a series of concrete attainable targets. This issue will certainly come up at the meeting of the ACC Sub-Committee on the Development Decade that is now planned for early July, immediately after the Committee on Development Planning produces its document.

I will be attending the meeting of the ACC Sub-Committee, which is under the chairmanship of Mr. de Seynes, in Geneva on July 1-2, 1968, at which, presumably, the draft of the development strategy document to be produced by the working party of the Committee on Development Planning will be discussed.

#### MEMBERS OF THE COMMITTEE FOR DEVELOPMENT PLANNING

- Mr. Roque Carranze, Economic Consultant, Argentina
- Mr. Nazih Deif, Institute of National Planning, United Arab Republic
- Mr. Max Millikan,
  Director, Center for International Studies, Massachusetts
  Institute of Technology, United States of America
- Mr. Saburo Okita, Japan Economic Research Center, Japan
- Mr. Jozef Pajostka,
  Director, Institute of Planning, Poland
- Mr. M. L. Qureshi,
  Member, Planning Commission, Pakistan
- Mr. W. B. Reddaway,
  Director, Department of Applied Economics, Cambridge
  University, United Kingdom
- Mr. Jean Ripert,
  Director General, National Institute of Statistics and
  Economic Studies, France
- Mr. Germanico Salgado, Director, Economic Affairs Department, Organization of American States
- Mr. Jakov Sirotkovic, Professor, Faculty of Economics, University of Zagreb, Yugoslavia
- Mr. Jan Tinbergen
  Professor, Netherlands Institute of Economics, Netherlands
- Mr. Zdenek Vergner,
  Director, Research Institute of National Economic Planning,
  Czechoslovakia

#### CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: June 24, 1968

TO: Mr. McNamara

FROM: Martin Hill

UN

FILED UNDER: L - UN ACC

SUMMARY: Excerpt from discussion of the items on the provisional agenda for the Bucharest meeting:

As regards the preparations for the next Development Decade, it was made clear, and fully understood, that the discussion should be of a quite preliminary character dealing with, for example, how the Decade is to be conceived and what types of goals and policies should be envisaged. It is hoped that the heads of agencies will be prepared to express their ideas very fully and bring out special programmes of relevance which they may be envisaging. The paper for ECOSOC on guiding principles will be available for all participants but not the draft on the "framwork for a global strategy" which, as you know, has been postponed. Some of the general problems which global planning involves may be touched on in Mr. de Seynes' introductory remarks.

#### CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: June 24, 1968

TO: Mr. Kamærck

FROM: Mr. Jacob L. Mosak

Director For Economic and Social Affairs

United Nations, N.Y.

FILED UNDER: UN - ACC

SUMMARY: Re: Enclosing copies of paper on the Second Development Decade

ack. July 3, 1968

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June 20, 1968

His Excellency Dr. B. J. Udink Minister in Charge of Development Aid Ministry of Foreign Affairs The Hague, The Netherlands

My dear Mr. Minister:

Your letter of May 31 is most timely. Early in July I shall be meeting for the first time with my colleagues from the other specialized agencies of the United Nations in the Administrative Committee on Co-ordination. The matter of the Second Development Decade is on the agenda.

I share your view that it is most important that strategies and actions within the framework of the U.N. family should be both relevant and consistent. This will not be easy. The different specialized agencies, and the U.N. itself, were each established to respond to particular needs of the international community at a time when neither political leaders nor professionals in the various fields of specialization could see, even as imperfectly as we can today after more than 20 years' experience, all the interconnections and ramifications of the problems of poverty and underdevelopment in the Third World. The World Bank, for instance, was conceived as a strictly financing institution and neither the term nor the concept of technical assistance is explicit in our Articles of Agreement. Yet the Bank has evolved into a group of institutions whose activities go far beyond the financing of already prepared, sound projects and deep into many aspects of the development process. We have learned that to be a successful agency for development, we must find ways to be of assistance to borrowers, both long before and long after a particular financial operations takes place, and to help them not only make good use of any finance that we provide to them but to generally improve their effective use of all the resources available to them. We shall proceed prudently along this road with due regard both to practical limitations on our own capacities and to the potential for cooperative action with other organizations of the U.N. family in reaching common objectives.

It is in this spirit that we shall approach the discussions of strategy for the Second Development Decade. I believe the heads of

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His Excellency Br. B. J. Udink Minister in Charge of Devolopment Aid Ministry of Foreign Affairs The Hague, The Netherlands

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the other specialized agencies will take a similar broad view of their roles in the face of the great problems of development. The support of governments in the various assemblies and governing bodies for a broad and flexible interpretation of the roles of the specialized agencies will, of course, do much to bring this about.

As you have noted, members of the Bank staff are already participating actively in discussions of principles and strategy for the Second Development Decade and we have been following the work of the Committee for Development Planning of which Professor Tinbergen is Chairman. It seems to us entirely appropriate for the U.M. to attempt to set forth the implications of certain global targets for economic growth and to take the initiative in getting governments, in the forum of the U.N., to discuss, identify and, hopefully, declare their willingness to support reasonable targets and goals. Our own approach tends to be rather in terms of analyzing the development problems and prospects of particular countries; trying to reach a common understanding with the government of each country on an appropriate development strategy in the circumstances; trying also, where this seems possible, to reach a similar agreement on strategy with the principal donor countries engaged in bilateral development activities in that country; identifying sectors and projects likely to fit into a sensible development strategy; and, of course, financing such projects to the fullest extent that our resources and the country's creditworthiness permit.

Finally, I completely agree with you on the desirability of establishing a close relationship between what is going forward in the U.N. and any "grand assize" that may take place along the lines of Mr. Woods's suggestion. I do not think this is likely to present serious problems.

I appreciate greatly your writing to me so fully and frankly and I hope we can continue to exchange views on this important set of problems.

With kind regards,

Sincerely yours,

(Signed) Robert S. McNamara

Robert S. McNamara

MLHoffman XHDemuth: tf

cc: Messrs. Friedman, Wm. Clark, Karasz and Consolo

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

ROUTING SLIP	Date June 6, 1968	
OFFICE OF THE	PRESIDENT	
Name	Room No.	
Mr. Demuth		
1- 1	I Note and File	
To Mandle	Note and File	
Appropriate Disposition	Note and Return Prepare Reply	
Approval	Per Our Conversation	
omment		
rull Report	Recommendation	
Information	Signature	
Initial	Send On	

Remarks

In Mr. McNamara's absence, you may wish to handle. A copy has gone to Messrs. Friedman and Wm. Clark for information.

M. Lee

From

## UNITED NATIONS



#### NATIONS UNIES

#### NEW YORK

CABLE ADDRESS . UNATIONS NEWYORK . ADRESSE TELEGRAPHIQUE

EC 123(2-2-1)

REFERENCE:

10 June 1968

Dear Mr. McNamara.

I take pleasure in inviting you to be represented at the meeting of the ACC Sub-Committee on the United Nations Development Decade to be held at the Palais des Nations in Geneva on 1 and, if necessary, on the morning of 2 July 1968. The meeting will begin on Monday, 1 July. at 10.30 a.m.

As proposed in my cable of 16 May 1968, the purpose of the meeting will be to consider questions relating to the preparation of a preliminary framework of international development strategy for the nineteen seventies in accordance with General Assembly resolution 2218 B (XXI). The representatives of the organizations who were present at the Sub-Committee's meeting in New York on 27 May agreed that the meeting in Geneva would provide a useful opportunity for further consultations on the technical work to be undertaken, particularly in the light of the deliberations of the Working Group of the Committee for Development Planning which will meet in the last week of June. The meeting will also be important because of the discussion on the next Development Decade which is to take place immediately afterwards at the joint session of ACC and CPC in Bucharest.

I hope that it will be possible for your organization to be represented by senior technical staff who are familiar with the various aspects of the preparatory work for a second Development Decade. It will also be helpful if representation can be so arranged as to enable the Sub-Committee to meet at the same time as the ACC Preparatory Committee. which I understand is scheduled at the Palais des Nations for the afternoon of Monday, 1 July, in preparation for the Bucharest meetings.

Yours sincerely,

poe de Seynes

Under-Secretary-General

for Economic and Social Affairs

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

Dear Philippe:

Following our recent conversation, I am writing to confirm that I shall represent the Bank at the meeting of the ACC Sub-Committee on the Development Decade which is to be held at the Palais des Nation, Geneva, on July 1 to 2, 1968. I should appreciate it, therefore, if you would kindly arrange to send me the documentation for the meeting in due course.

With kind personal regards,

Sincerely yours,

Richard H. Demuth

Development Services Department

Mr. Philippe de Seynes Under-Secretary-General for Economic and Social Affairs United Nations New York, 10017

cc: Mr. Consolo Mr. Kamarck



LPerinbam/mmcd

UN- NCC



#### MINISTERIE VAN BUITENLANDSE ZAKEN

DE MINISTER ZONDER PORTEFEUILLE BELAST MET DE AANGELEGENHEDEN BETREFFENDE DE HULP AAN ONTWIKKELINGSLANDEN

The Hague, 31 May, 1968.

Dear Mr. MacNamara,

With pleasure I recall the personal and informal contact we had a few weeks ago at the Tidewater Inn Conference.

As you know, we in the Netherlands, and in particular those who deal with international development issues, have taken an active interest in the preparatory work for the Second Development Decade. We therefore follow with keen interest the various activities of the international organizations in the formulation of international development policies for the 1970's.

In this perspective it seems to me of particular importance that any international programme of action for the 1970's in the field of development be a co-ordinated, well conceived and joint effort of all agencies concerned.

In my opinion two major developments can presently be identified within the framework of the United Nations family. The first of these is the working out of Mr. Woods' interesting thought to call a "grand assize". Such a trial in which assessors would decide questions of fact of past and present would in my view be quite useful, provided that the judgements to be given are intimately related to a forward-looking estimate of realistic requirements and if certain other conditions would be met. One of those additional prerequisites certainly is a properly balanced choice of high-calibre assessors from all corners of the globe, or as many as feasible.

The second major development within the United Nations I refer to is the work undertaken pursuant to various resolutions of the United Nations General Assembly by the Committee for Development Planning. From the reports on the third session of the Committee recently held in Addis Abeba I have gathered that the undertaking is

- beginning -

Mr. Robert S. MacNamara
President of the International Bank
for Reconstruction and Development
1818 H-N.W.
Washington DC 20433

acn. June 20/68



#### MINISTERIE VAN BUITENLANDSE ZAKEN

DE MINISTER ZONDER PORTEFEUILLE SELAST MET DE AANGELEGEHHEGEN BETREFFEND DE HOLP AAN ONTWIKKELINGELANDEN

The Hague, 31 May, 1968.

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beginning to take some - perhaps still modest, but real - shape. Apart from the general document on the preliminary framework an "international development strategy" featuring a quantitative approach to the targets for the second development decade, a paper submitted to the Committee by Prof.

Max Millikan of the Massachusetts Institute for Technology was of special interest. In his paper Prof. Millikan suggested the establishment of a "world development council" or in any case procedures for reporting and evaluation of development progress during the nineteen seventies.

In my view the arduous task that lies ahead in formulating international development policies for the second development decade can only be successfully pursued in a spirit of effective co-operation and co-ordination of all concerned. With respect to the two developments I have just referred to, it seems to me essential to have within the United Nations system a close liaison between the "grand assize" and the concept of an "international development strategy" for the seventies.

Professor Jan Tinbergen who in an individual capacity is chairman of the UN Committee for Development Planning told me about his experience with the stimulating co-operation presently shown by the Bank representative at the CDP-meeting in Addis Abeba.

In my view the co-ordination of these two major developments within the UN system deserves timely attention of all concerned. A frank exchange of ideas will contribute to come to grips with and overcome the obstacles that may endanger the ultimate outcome of the enterprise. I hope you will appreciate this letter in this spirit, and I would very much like to have your views on these problems.

Sincerely yours,

Dr. B.J. Udink,

Minister in charge of Development Aid.

May 31, 1968

Mr. Demuth

Michael L. Hoffman

Second Development Decade

I had a long, cordial, but inconclusive discussion with Philippe de Seynes in New York on Tuesday, May 28 about the strategy and tactics of the U.N. family in the matter of the Second Development Decade - now scheduled to "begin," whatever that may mean, on January 1, 1971. We are entirely on the same track, up to a point, and then I lose him; and I think neither of us is entirely clear why. De Seynes starts out, as the U.N. must, with the fact that we - the whole U.N. family - are faced with a resolution of the General Assembly (2218 XXI) calling for principles, guidelines and strategy for a Second D.D. He argues that for this exercise it is appropriate to prepare, with as much precision as possible, quantitative models illustrating orders of magnitude and interdependencies of some of the possible targets e.g., 6% growth rate, minimum per capita growth rates for all countries, minimum nutrition standards, etc. This is the Mosak exercise. He agrees that all this must be cleared with the specialized agencies and cannot simply be transmitted by the Tinbergen Committee on its own authority to ECOSOC and the Assembly. I do not see how the Bank can have any quarrel with this so far. At least I find it an entirely reasonable procedure.

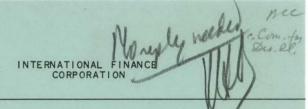
But here is where we begin to separate. De Seynes seems to feel that whatever comes out of the exercise must inevitably be put through the U.N. machinery with the object of getting governments to commit themselves to the resultant targets. I argued that this might do positive harm in a world in which there is no real political basis in the larger rich countries for any concrete commitment to underwrite development targets; in which we cannot even get a decent-sized IDA replenishment; in which the DAC governments are not prepared to deal realistically with the debt problems of the IDC's as an aspect of development finance, etc. Quite apart from the old matter of raising false hopes, I argued that the sequence of proposals, resolutions, etc. is likely to make the whole U.N. system appear to be even more remote from reality than, say, the Algiers charter. De Seynes does not seem to see this. At least he does not agree with it. He still seems to believe that U.N. action of the kind contemplated puts effective pressure on governments to move at least partway toward the objectives incorporated in the resolutions. I tried to point out, as an example, the irrelevancies of even DAC targets with which the U.S. administration has agreed to the present forces determining U.S. financial support for economic development; to the absence of any high level discussion of development strategy among the rich countries; and so on. He kept coming back to the argument that the U.N. ought to "lead," to "show the way," etc.

I observed at one point that after the quantitative economic exercise is done we might feel that we had to say that we thought the results indicated that the targets were unrealistic and that it would be better for the U.N. family to concentrate on more effective work toward more limited objectives. This led to an obviously sincere statement on the great importance he attaches to Bank support for the Second D.D. exercise.

I told de Seynes that we were particularly concerned about a parallel and logically unrelated move in the Committee for development planning to circulate to the specialized agencies a strategy statement that prejudges nearly all the issues on which the Mosak model exercise is supposed to provide the quantitative background on the basis of which judgments could be made. De Seynes assured me that the paper that bothered me most (working paper no. 8 of the Addis Ababa meeting) had been hastily drawn and had no standing. I got the impression that he agreed with me on the undesirability of the Tinbergen group pushing this part of the "strategy." But I also got the impression that he did not really think he could do much to stop it. I reminded him of Mr. Demuth's letter reacting to a previous communication to the Bank from Professor Tinbergen and told him that while we would always try to respond to requests from the Secretary General for information and views we were not prepared to receive such quiz sheets from Professor Tinbergen, as Chairman of the Committee of Experts acting in their individual capacities. De Seynes assured me we would not be placed in such a position. We will see.

Reflecting on this discussion, and the documents we have so far seen, I wonder whether we should not have a strategy discussion in the Bank before you and Mr. Kamarck go to the July meetings of the ACC sub-Committee. It seems to me that, if my analysis is correct, it is not too early to make a stronger statement than any we have so far made to get into the record our doubts about the wisdom of the Second D.D. exercise as now planned.

MLHoffman:tsb )



#### INCOMING CABLE

DATE AND TIME

OF CABLE:

MAY 16, 1968

2042

ROUTING

MR. MCNAMARA

LOG NO.:

WU 2/17

TO:

INTBAFRAD

FROM:

NEW YORK

ACTION COPY: MR. DEMUTH

INFORMATION COPY:

DECODED BY:

TEXT:

27 MCNAMARA

URGENT IN VIEW DEVELOPMENT PLANNING COMMITTEE DECISION TO CONVENE WORKING GROUP IN JUNE TO DISCUSS QUESTIONS CONCERNING TECHNICAL WORK FOR SECOND DEVELOPMENT DECADE AND AS DISCUSSED WITH REPRESENTATIVES OF ORGANIZATIONS PRESENT AT COMMITTEES ADDIS ABABA SESSION MEETING OF ACC SUBCOMMITTEE ON DEVELOPMENT DECADE WILL BE HELD AT GENEVA 1-2 JULY TO CONSIDER PART B OF GENERAL ASSEMBLY RESOLUTION 2218 (XXI) NAMELY PRELIMINARY FRAMEWORK OF INTERNATIONAL DEVELOPMENT STRATEGY. AGENDA OF SUBCOMMITTEE MEETING AT HEADQUARTERS ON 27-28 MAY CONVENED BY MY LETTER 16 APRIL WILL THEREFORE BE LIMITED TO PART A OF RES. 2218 (XI) NAMELY DRAFT SURVEY OR PRINCIPLES, DIRECTIVES AND GUIDELINES. EXCHANGE OF VIEWS ON DEVELOPMENT PLANNING COMMITTEES RECENT SECTION CAN OF COURSE TAKE PLACE IF SO DESIRED BUT PART B OF G.A. RES 2218 CAN BE USEFULLY DISCUSSED ONLY AT JULY MEETING

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FORM No. 58

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

115 To M. Dernath

May 13, 1968

DATE:

OFFICE MEMORANDUM

TO:

Mr. McNamara

FROM:

Richard H. Demuth

SUBJECT:

Proposed Visit by Mr. Philippe de Seynes

Mr. Philippe de Seynes, U.N. Under-Secretary-General for Economic and Social Affairs, whom you met at U Thant's luncheon, has told Mr. Consolo in New York that he would like to come down and talk to you, at your convenience, about the Second Development Decade. Mr. de Seynes can come any day except May 22, 23 or 24. Consolo believes that he would want about an hour with you.

Would you wish to suggest a time and date for him to visit you?

15

UN - Econ. Aff. Apt

February 14, 1968

Dear Mr. de Seynes:

Was Com. Plan. In the absence of Mr. Woods overseas, I am writing with reference to a letter to him from Professor Tinbergen, dated January 1968, concerning consultations on the formulation of plans for the Second Development Decade.

However well-motivated Professor Tinbergen's initiative may be, we think it is neither useful nor appropriate for an individual member of the United Nations Development Planning Committee to approach, on a personal basis, all of the various members of the U.N. family on a matter which obviously requires official consideration and action. We are convinced that the only orderly way to proceed in drawing up the kind of plans that will be useful for the Second Development Decade is for the entire effort to take place under your direction and through established official channels. We are the more concerned about this because of Professor Tinbergen's statement that he intends, again presumably on a personal basis, to put forward further suggestions as to the nature of the consultations which he proposes.

Sincerely yours,

Federico Consolo Special Representative for United Nations Organizations

Mr. Philippe de Seynes Under Secretary for Economic and Social Affairs United Nations New York, 10017

cc: Mr. Steckhan Central Files with incoming correspondence (temporarily kept by Consolo)

Monsolo/RHDemuth/mmcd

May 2, 1968

Dr. David Wightman Faculty of Commerce and Social Science University of Birmingham Birmingham 15, England

Dear Dr. Wightman:

I am reversing the instructions in the covering note to your draft report attached to your letter of April 24.

Your report makes very interesting reading and we have no comments to offer. Mr. M. Hoffman, Associate Director of the Development Services Department, who will be attending the ACC Sub-Committee on the Development Decade in New York at the end of May, has asked me to tell you how much he appreciated it.

Sincerely yours,

Federico Consolo

Copy to: Mr. Walter Hecht Room 2960 United Nations New York, 10017

cc: Mr. Hoffman Central Files with incoming letter

FCAMAL.

April 22, 1968

Dear Mr. de Seynes:

On behalf of Mr. McNamara, I wish to acknowledge receipt of your letter EC 123 (2) of April 16, 1968, and to thank you for having invited the International Bank for Reconstruction and Development to be represented at the next meeting of the ACC Sub-Committee on the Development Decade in New York on May 27 and 28, 1968.

I am pleased to inform you that the Bank will be represented by Mr. Michael Hoffman, Associate Director of the Development Services Department, and I would ask you to have any documentation relating to this meeting sent direct to Mr. Hoffman in Washington.

Sincerely yours,

Federico Consolo Special Representative for United Nations Organizations

Mr. Philippe de Seynes Under-Secretary-General for Economic and Social Affairs United Nations New York, 10017

cc: Mr. Hoffman with incoming letter Central Files with incoming letter

FC/mmcd.

NEW YORK

CABLE ADDRESS · UNATIONS NEWYORK · ADRESSE TELEGRAPHIQUE

EC 123 (2)

REFERENCE

16 April 1968

Dear Mr. McNamara,

Further to the understanding reached during the meeting of the Sub-Committee on the Development Decade last October in New York and during the meeting of the ACC early this month, I take pleasure in inviting you to be represented at the meeting of the ACC Sub-Committee on the Development Decade to be held at United Nations Headquarters on 27 and 28 May 1968.

The purpose of the meeting will be to review the progress made in carrying forward the work called for in Parts A and B of General Assembly resolution 2218 (XXI). The Sub-Committee will be able to review the draft of the "concise and systematic survey of principles, directives and guidelines for action in the field of development", which has been prepared by a consultant, the text of which will be sent separately to the appropriate officials in your secretariat.

The Sub-Committee will also have before it material prepared in conformity with Part B of resolution 2218 (XXI) concerning the preliminary framework of an international development strategy. This subject will have been discussed by the Committee for Development Planning at its forthcoming session in Addis Ababa from 29 April to 10 May, and the report of that Committee will be submitted to the Sub-Committee, together with the study on the implications of alternative rates of growth in developing countries in the 70's, prepared by the Centre for Development Planning, Projections and Policies for the Addis Ababa meeting.

I hope that it will be possible for your organization to be represented by substantive staff familiar with the various aspects of the work involved in preparing for a second Development Decade. Your co-operation will be greatly appreciated in the joint effort on which we are now embarking for the next two years and which is designed to enable our Member Governments to adopt coherent and comprehensive decisions on approaches to development in the 1970's.

Yours sincerely,

Philippe de Seynes

Under-Secretary-General

1309 W 18 for Economic and Social Affairs

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

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EC 123 (2)

16 April 1968

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Yours sincerely,

Philippe de Seynes

Under-Secretary-Joneral

Pille de Segues

1808 Uby 18 by 3:58 mie and Social Affairs

Mr. Robert S. McNamara, Prograture Lifes International Bank for Leconswittenkenn and Development

1818 H Street, N.W. Washington, D.C. 20433

N

Mr. Kamarck

March 28, 1968

Michael L. Hoffman

Second Development Decade

I understand you plan to attend the Addis Ababa meeting of the Committee for Development Planning next month. I think it would be a good idea if, when Mr. Demuth returns from his current trip, the three of us got together for a little strategy talk. If you agree, I will set it up.

MLHoffman/pnn

cc: Mr. Demuth

made

December 27, 1967

Z- INC

Dear Maria:

Attached is copy of a letter Mr. Demuth received. Please note that Mr. Lloyd wishes to be added to a mailing list to receive copies of speeches. The Development Decade Council, if not represented on your mailing list, should probably receive other materials.

Cordially,

Doris Eliason

Mrs. Maria Felber
International Bank for Reconstruction
and Development
European Information Services - 2hh

cc: Mr. Demuth

DRE/ps

DRE

FORM No. 75

(2-60)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE

INTERNATIONAL DEVELOPMENT

CORPORATION	ASSOCIATION	
ROUTING SLIP	December 21, 196	
NAME	ROOM NO.	
Mrs. Eliason	461	
Н	3.	
To Handle	Note and File	
Appropriate Disposition	Note and Return	
Approval	Prepare Reply	
Comment	Per Our Conversation	
Full Report	Recommendation	
Information	Signature	
Initial	Send On	

REMARKS

Please note section marked.

From

Richard H. Demuth

original foled: 5- Population

### Copied from handwritten letter

1960

DEVELOPMENT DECADE COUNCIL

1970

Tel.: 5 778 367

10 Piazza Albania, Roma 00153, Italy

Mr. Richard H. Demuth Director, Development Services Dept. IBRD, Washington, D.C. 20433

Dear Mr. Demuth

Thank you for your kind and very helpful letter of 16 November about the World Population Year proposal. I see you have brought down my kite, and the suggestion about the Bank has now been left out of the revised, enclosed proposal. The main reason for flying it was my fear that no one will take the initiative, or one commensurate with the problem, unless a new agency or program is started, certainly not WHO, because too many people fear that if a subject like population is taken on, their own work-areas will be cut. This was why I tried to make a suggestion one step ahead of that contained in my letter of 27 June 1965 to Mr. Woods. Incidentally, I would be interested to know whether the Bank, or IFC, have financed training facilities or supply factories in the family planning field. Meanwhile I was very pleased to receive a copy of Mr. Woods' Stockholm address: I always look forward to this kind of speech as an uptodate summary of the world development problem with the right kind of illustrative figures, and I wonder if there is some way I can be put on the mailing list, without having to rely only on newspaper reports or editorial comment.

For my part I enclose some suggestions on a Second Development Decade, which I have just sent to the Netherlands Minister Dr. B. J. Udink. Personally I am very glad about the choice of the new IBRD President, both because it is an implicit recognition that the work of the international community is a step in advance of the highest national offices, and because over two years ago I said to ex-Dept. of Defence people that Mr. McNamara should take Mr. Hoffman's job when the latter retires. On the other hand, I think it would be a tragedy if the international community were to lose the voice and vision of Mr. Woods, and in the attached notes I have suggested he become the Joint Secretary General or High Commissioner for the next Development Decade, an office which would become even more probable if, as I guess, someone like a Yugoslav is appointed as the next Secretary-General.

Again my many thanks

Yours sincerely

/s/ Raymond Lloyd

### CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: October 31, 1967

TO: Mr. G. Woods

FROM: Mr. Raymond Lloyd

Development Decade Council

Rome, Italy

FILED UNDER: P&S - Population

SUMMARY: Re: A proposal that the 1970 be declared a World Population Year

and a proposal that a World Population Agency be brought into being.

ack. November 16, 1967

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

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### INCOMING CABLE

DATE AND TIME

OF CABLE:

SEPTEMBER 29, 1967

J-ACC

LOG NO.:

WU 7/30

TO:

INTBAFRAD

FROM:

NEW YORK

ROUTING

19

Mr. Woods

ACTION COPY:

MR. DEMUTH

INFORMATION

COPY:

DECODED BY:

TEXT:

MYLET 25 SEPTEMBER AND ANNOTATED PROVISIONAL AGENDA PRECOM ITEM 7(B),

DE SEYNES CONSIDERS MEETING OF SUB-COMMITTEE ON DEVELOPMENT DECADE

DESIRABLE TO DISCUSS SUBSTANTIVE MATTERS ARISING FROM AUGUST SESSION

OF WORKING GROUP OF THE COMMITTEE FOR DEVELOPMENT PLANNING AS WELL AS

PREPARATION OF REPORTS UNDER GENERAL ASSEMBLY RESOLUTION 2218(XXI) AND

PROPOSES TO CALL SUB-COMMITTEE ON 30 OCTOBER

HILL UNITED NATIONS

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SEP 30 1 22 PM 1967 GENERAL FILES COMMUNICATIONS

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BE DESIGNATE

FORM No. 26 (6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME

OF CABLE:

JULY 14, 1967

1102

ROUTING

Tiles 233

LOG NO.:

ITT 16/14

TO:

INTBAFRAD

FROM:

GENEVE

ACTION COPY:

MR. HOFFMAN

INFORMATION COPY:

DECODED BY:

TEXT:

7 FOR HOFFMAN

PLEASE MAIL SOONEST YOUR REPORT DEVELOPMENT DECADE SUBCOMMITTEE THANKS

CONSOLO

JUL 14 8 32 AM 1967

COMMUNICATIONS

THE BEST OF

# OFFICE MEMORANDUM

TO: Files

DATE:

May 29, 1967

INTERNATIONAL FINANCE

FROM: Michael L. Hoffman

SUBJECT: Meeting of the ACC Sub-Committee on the Development Decade

In Mr. Consolo's absence from New York, I attended a meeting of the ACC Sub-Committee on the Development Decade on May 25, 1967. It had been called to permit the Specialized Agencies to react to the various papers produced so far by the Secretariat, and the Committee for Development Planning, on the strategy for the Second Development Decade (DD-II) (A/Res/2218XXI (3 January 1967); Draft Progress Report of the Secretary General; Extract from Report of Committee for Development Planning, Second Session, transmitted in Martin Hill letter of May 11, 1967; E/AC.54/L.14 (20 March 1967), Note Submitted by the Centre for Development Planning; also see Hawkins' memorandum of May 16, 1967, on Santiago meeting of Committee for Development Planning).

In view of the fact that a Working Group of the Committee for Development Planning has still to meet in August in order to give more body to the proposals of the planning experts, and that consequently the Secretary General is not yet ready to say what he wants of the Specialized Agencies in the form of reports, etc., the discussion was very preliminary in nature. Mr. de Seynes presided.

Recognizing this, and referring in passing to our preference for speaking of a generation rather than a decade as a means of emphasizing the long-range nature of the development process, I said that I thought it was the duty of the Specialized Agencies to bring to bear on the planning work being done and to be done in connection with the DD-II, their experience during the first one. This seemed to point to a danger in formalizing quantitative aspirations that were wholly out of line with what was realizable. Building on a very useful distinction suggested by the Chairman, I said that drawing up principles and targets to which governments could be asked to commit themselves in some form, such as a charter or a resolution approved by the General Assembly, was a very different thing from drawing up a "charter" embodying a contract among governments to provide specified resources at specified times and under specified conditions. The latter, I pointed out, involved negotiations, not majority approval or consensus, and this was an altogether different process. I stressed the importance of bearing in mind this difference in drawing plans for DD-II. I added some rather gloomy comments on the unreality of supposing that in the present international climate one could expect governments to commit themselves to any fixed schedule of pledging resources to fulfill general macro-economic targets that might emerge from the exercise of DD-II. As for targets, there was general agreement that some are necessary, and that it is just as well to try to make them as realistic as possible, without conceding defeat in advance by assuming that nothing can be done to step up the development effort on all sides.

There was a good deal of discussion about procedure and about how the Specialized Agencies are to be brought into the planning process. Several Agencies were clearly suspicious of the Working Group. Mr. Mosak finally assured the meeting that the Working Group would not try to set targets to which the Agencies might then find themselves to some extent committed in advance, but would confine itself to recommending a work program to the Secretary General. Both he and Mr. de Seynes assured the Agencies that they would welcome a chance for another meeting of the ACC Sub-Committee to discuss the report of the Working Group before it was moved ahead in the U.N. machinery. Agencies were also concerned about implied budgetary commitments and it was agreed that the report to the ACC of this meeting should make that clear. Finally, there was general acceptance of the position put forward by the Fund and the Bank that there was no point in the Agencies trying to become involved in the procedures of the Working Group and that we could trust Mr. Mosak to bring their preoccupations to the attention of the experts. There will, therefore, probably be another meeting of this Sub-Committee in August immediately after or during the week when the Working Group meets. The membership of the Group, incidentally, has not yet been fixed. It will be small and it was quite clear from the various remarks of Mr. Mosak that it will be dominated by Professor Tinbergen.

The discussions at this meeting impressed me, not for the first time, with the weight attached to the Bank's views in these circles, particularly by the representatives of the Secretary General. The Fund appears as a kind of amiable but disembodied spirit, except in the rare cases when its institutional toes get stepped on. The Bank, on the other hand, is recognized as being one of the boys, in the sense of sharing many experiences with the other Specialized Agencies and being in the same general line of business. But whether because of our age, performance, continuity of representation (which is very important) or, possibly, the prevalent illusion that we never have to worry about money, the Bank is unquestionably regarded, not always with a friendly eye, as the senior member of the group. As Mr. Consolo has often said, it behooves us in this situation to tread lightly, unless and until we see some vital institutional reason for hitting some point with our full weight. The other side of the coin is that the Bank can have a considerable influence on the shape of the small core of significant matter embodied in the mountains of verbiage inevitably accumulated in the course of any U.N. exercise. All it requires is patience, but that is sometimes quite a lot.

### MLH:tf

cc: Mr. Demuth

Mr. Consolo

Mr. Kamarck

Mr. Karasz

### INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

ROUTING SLIP	Date May 15, 1967			
OFFICE OF THE PRESIDENT				
Name	Room No.			
Mr. Demuth				
To Mandle	Note and File			
Appropriate Disposition	Note and Return			
Approval	Prepare Reply			
omment	Per Our Conversation			
rull Report	Becommendation			
Information	Signature			
Initial	Send On			
Remarks				

In Mr. Woods's absence, you will wish to handle.

R.B. Steckhan

From

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### UNITED NATIONS



NATIONS UNIES

**NEW YORK** 

CABLE ADDRESS . UNATIONS NEWYORK . ADRESSE TELEGRAPHIQUE

EC 123 (2-2-1)

11 May 1967

Dear Mr. Woods,

I am writing to you in pursuance of my cable of 28 April with regard to the next session of the ACC Sub-Committee on the Development Decade, which has been called for 25 to 26 May.

As requested in ECOSOC resolution 1152 (XLI), the Committee for Development Planning discussed at its second session last month the preparatory work which might be undertaken for the second Development Decade. As a background document, the Committee had before it a note on the Development Decade prepared by the Centre for Development Planning, Projections and Policies in the Department of Economic and Social Affairs.

The full report of the Committee is not yet available as a document for general distribution. I am, however, enclosing an extract from that part of the report in which the Committee made some recommendations concerning work on the Decade. I am also enclosing a copy of the note which was submitted to the Committee.

It is believed that these two documents could usefully serve as working papers for discussion by the Sub-Committee on the Development Decade. In addition, it is also proposed to submit to the Sub-Committee, in accordance with the arrangements envisaged by the ACC, a draft of the report which the Economic and Social Council in resolution 1152 (XLI) requested the Secretary-General to prepare for its forty-third session. This draft will consist mainly of a brief account of the preparatory discussions and arrangements so far completed, in particular, by the Committee for Development Planning and the ACC Sub-Committee.

Sincerely yours,

Under-Secretary for Inter-Agency Affairs

Mr. George D. Woods
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C.

OE: E Nd 21 AUM 7361

# Extract from Report of Committee for Development Planning Second Session

# WORK ON GUIDELINES AND PROPOSALS FOR THE SECOND UNITED NATIONS DEVELOPMENT DECADE

In accordance with the requests of the United Nations General Assembly, in resolution 2218 (XXI) and the Economic and Social Council, in resolution 1152 (XLI), the Committee examined the question of preparing guidelines and proposals for the Second United Nations Development Decade.

The Committee concurs in the view that the progress so far recorded in the present decade has been unsatisfactory and that this makes it imperative for all the organizations of the United Nations family to redouble their efforts and to work out a series of new measures. The Committee is deeply appreciative of the fact that the General Assembly and the Economic and Social Council have already initiated measures to start work on the preparation of a preliminary framework of international development strategy for the 1970's. On the assumption that the Development Decade has become an established concept for organizing international efforts to promote the betterment of the developing countries, the Committee agrees to make the preparation of guidelines and proposals for the second United Nations Development Decade one of its major activities.

On the basis of preliminary discussions, the Committee suggests that the United Nations adopt a Charter for the second Development Decade which might include the following provisions:

(a) The nations of the world, acting through the United Nations, would declare that it is their common interest to secure a more rapid advance in the income and welfare of the developing nations, and that this calls for concerted action, both by the developing countries themselves, and by the developed countries.

(b) The nations of the world would declare that it is their common ambition to secure by such combined action the attainment of certain <u>targets</u>: in particular, that the gross national product per head of each developing country should rise during the 1970's by at least a certain minimum percentage and that this should represent a significant increase in the rate of growth for the developing countries generally.

Minimum targets might also be set for other economic and social magnitudes, such as food consumption per head, standards of health or education, and employment. The exact form of these, as well as their numerical values, would have to be the subject of further study.

(c) After analysis of the main obstacles in the way of attaining the targets, the means to be employed by both the developed countries and those in the course of development to achieve those targets would be specified. The means rould be designed to overcome such obstacles as difficulties in plan implementation, the mounting foreign debt service and other difficulties connected with foreign exchange, and rapid growth of population in developing countries. Heasures to overcome the foreign exchange gap might include aid, the provision of better access to the markets of all types of developed countries, and increased efforts by the developing countries to expand exports or replace imports — notably by increased agricultural output.

In adopting the targets, the nations would make certain pledges. Some of these would be in general terms: all countries would pledge themselves to co-operate actively in the combined activities necessary for the Development Escade. There would also be some specific pledges in both quantitative and qualitative terms: by the developed countries, relating to the scale and character of aid and trade policies; and by the developing countries, for example, relating to various institutional improvements, mobilization of domestic resources, social reforms appropriate for economic development and

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other measures to increase the rate of growth in per capita output. In those countries where the rate of population growth is excessive, these pledges might also relate to better facilities for family planning. In addition, there would be provision for suitable international arrangements to survey progress annually, and, where appropriate, to organize agreements for specific action by developed and developing countries. Nations would piedge themselves to take part in the reviews and other exercises under these arrangements. International organizations, both within and outside the United Nations system, could be variously employed for this purpose.

The Committee has agreed to associate itself closely with the work of preparing for this action by the United Nations. For this purpose it has decided to establish a working group which will prepare a more precise programme of action and also pave the way for the deliberation of the Committee at its next plenary session.

The Committee suggests that the work on projections for the world economy carried out in the United Nations system should be geared to the formulation of guidelines and proposals for the second United Nations Development Decade. Such work should involve careful assessment of the policy implications of expansion in the main areas of economic and social activity. It should be carried out at the world, regional and sectoral levels by the various appropriate bodies of the United Nations.

The Committee considers it desirable that the United Nations Centre for Development Planning, Projections and Policies, in consultation with the specialized agencies and other members of the United Nations family, should prepare, as an initial step, a brief paper setting forth tentative guidelines and proposals relevant to the work to be undertaken, as the next step, by the specialized agencies and the regional commissions. This work should refer to the specific sectors or components of the world economy which fall within their areas of com-

portion ?

petence. The purpose of these papers would be to form the framework of all the work to be done.

After preliminary discussion, the Committee thinks that on the basis of the above work it might:

- (a) Prepare papers, indicating the combinations of actions by the various countries needed to tackle the obstacles, whether internal to the developing countries or in the international field. The work would be made as quantitative as possible;
- (b) Suggest the form and magnitude of the various targets to be included in the Charter.

May 5, 1967

Dear Mr. Hill:

I refer to your telegram of May 1 addressed to Mr. Woods on the meeting of the ACC Sub-Committee on the Development Decade to be held on May 25 and 26 in New York and to our telephone conversation of yesterday.

While the Bank will certainly be represented at the meeting, I cannot, at this moment, tell you who will be attending. We await with interest Mr. Andrew Brown's paper.

Sincerely yours,

Federico Consolo Special Representative for United Nations Organizations

Mr. Martin Hill Under-Secretary for Inter-Agency Affairs United Nations, New York

cc: Mr. Steckhan
Central files with incoming cable

Follow !!

INTERNATIONAL FINANCE CORPORATION

### INCOMING CABLE

DATE AND TIME

OF CABLE:

MAY 1, 1967

LOG NO.:

WU 3/2

TO:

INTBAFRAD

FROM:

NEW YORK

ROUTING

ACTION COPY:

MR. WOODS

INFORMATION

COPY:

DECODED BY:

TEXT:

WOODS 11

IN PURSUANCE RECOMMENDATION PREPARATORY COMMITTEE APPROVED BY ACC SEE PARAGRAPH 25 COORDINATION R. 613 MEETING SUB-COMMITTEE ON DEVELOP-MENT DECADE WILL BE HELD NEW YORK ON 25 TO 26 MAY. LETTER GIVING DETAILS WILL FOLLOW IN FEW DAYS

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COMMUNICATIONS GENERAL FILES

Total A.

February 29, 1967

Dear Mr. Hill:

Mr. Woods has asked me to acknowledge receipt of your letter EC 132/1(3-4-2) of February 15 on the cancellation of the meeting of the ACC Sub-Committee on the Development Decade.

Your intention, however, of keeping this item on the agenda of the ACC and its Preparatory Committee has been duly noted.

Sincerely yours,

Federico Consolo
Special Representative
for
United Nations Organizations

Mr. Martin Hill
Personal Representative
of the Secretary-General
to the Specialized Agencies
United Nations, New York

cc: Mr. Steckhan
Central Files with incoming letter



## UNITED NATIONS



# NATIONS UNIES

### NEW YORK

CABLE ADDRESS . UNATIONS NEWYORK . ADRESSE TELEGRAPHIQUE

EC 132/1(3-4-2)

REFERENCE

15 February 1967

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Dear Mr. Woods,

I have to inform you that the meeting of the ACC Sub-Committee on the Development Decade, which had been provisionally scheduled for 22 and 23 March 1967 at the Palais des Nations in Geneva is being cancelled because the pressure of other work has not permitted sufficient progress to be made on the documents called for under the Economic and Social Council resolution 1152 (XLI) and General Assembly resolution 2218 (XXI).

It is our intention, however, to submit to the Council in July a progress report on activities undertaken pursuant to both resolutions. Item 17 on the "United Nations Development Decade" should therefore remain on the provisional agenda of the spring sessions of the ACC and its Preparatory Committee, and during the consideration of this item Mr. de Seynes hopes to be present.

Yours sincerely,

Martin Hill

Personal Representative of the Secretary-General to the Specialized Agencies

Mr. G.D. Woods
President
International Bank for Reconstruction
and Development
Washington 25, D.C.

acl. Feb. 20, 1967

# UNITED NATIONS



# NATIONS UNIES

NEW YORK

CABLE ADDRESS - UNLTIONS HEWYDRY - CHERRY INLEGRAPHICAS

EC 132/1(3-4-2)

15 February 1967

Dear Mr. Woods.

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Yours sincerely,

Martin Hil

Personal Representative of the Secretary-General to the Specialized Agencies

> Mr. G.D. Woods President

1967 FEB 16 DM 10: 59 International Bank for PARRICALIBE and Development

Washington 25, D.C.

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### FORM NO. 75 INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT

ROUTING SLIP	LIP Date August 16, 196	
NAME	ROOM NO.	
Mr. Wishart		
	,	
To Handle	Note and File	
To Handle Appropriate Disposition	Note and Return	
Appropriate Disposition Approval	Note and Return Prepare Reply	
Appropriate Disposition Approval Comment	Note and Return Prepare Reply Per Our Conversation	
Appropriate Disposition Approval	Note and Return Prepare Reply	
Appropriate Disposition Approval Comment	Note and Return Prepare Reply Per Our Conversation	

From

MLHoffman

### INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

# ROUTING SLIP OFFICE OF THE PRESIDENT Name Room No. Mr. Hoffman

To Mandle	Note and File	
Appropriate Disposition	Note and Return	
Approval	Prepare Reply	
comment	Per Our Conversation Recommendation	
Juli Report		
Information	Signature	
Initial	Send On	

Remarks

In Mr. Woods's absence, perhaps you will kindly arrange to have this letter replied to. Could we have a copy of the reply together with the incoming for Mr. Woods to see on his return, please.

G. C. Wishart

From

X Alpha- Lloyd En files
AUG 12 REC'D

Your Ref: 29 July 65

Development Decade Council 10 Piazza Albania, Rome 813

Tel: 57 78 3 67

Dear M woods 10

In several earlier letters on the Development Decade I stated that one sure way of accelerating the pace of world development is through penetration of the political process, at the very least by the new generation. This year I attach a proposal how this could be begun, by young people campaigning to tax themselves for increased development aid. This proposal for a World 2000 Development Tax is therefore innovatory, but it attempts to be in keeping both with the growing size of the development challenge and the radical desire of many young (and old) people for new measures to break the back of the problem by the end of the century.

In this preliminary form, the proposal is still very much a political idea in search of a framework, although I have suggested both some deadlines and some launching machinery. I would now appreciate receiving reactions to the proposal, both as a whole and in its details, and would be particularly grateful for advice on implementation, on contacts, organizational framework and initial funding.

In my letter of 27 June 1965 on the Development Decade, the main proposal was for international action in population control. A revised version of my World Family Plan was in fact published in the December 1965 issue of the International Development Review. I then reported that the new-style family planning programs had been drawn up for India, Korea, Pakistan, Taiwan, Tunisia and Turkey. These countries have now been joined by at least Ceylon, Hong Kong, Malaysia and Singapore. Also the number of intra-uterine loops inserted has since quadrupled to some 1.5 million, and should nearly double again before 1966 is out. It is a pity only that the international community is still not in the vin of this second front of the attack on world poverty, fifteen years ago. Meanwhile the progress of national field programs in population control is very encouraging.

With all good wishes & hund ugards

Raymond Lloyd

1966 AUG 12 AM 10: 29

COMMUNICATIONS
GENERAL FILES
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### PROPOSAL

### for a

### WORLD 2000 DEVELOPMENT TAX

		Paragraph No.
I.	The postvar generation	
	Our unprecedented privileges	1
	Strategical responsibilities to year 2000	2-5
	Political character of world development	6=10
II.	Characteristics of World 2000 Tax	11-12
	Choice of birth year	13-16
	Incidence of tax	17
	Cumulative character	18
	Use of tax proceeds	19-20
III.	Introduction of Tak	
	Timing	\$1-53
	Techniques	24-29
	Organization	30-34
IV.	Longterm objectives	35=37

### PROPOSAL

for a

### WORLD 2000 DEVELOPMENT TAX

In the past there have been several suggestions for a system of international taxation and income redistribution. For seven years now the governments of the more prosperous countries have been intending to raise to 1% of national income their contributions to world development. Since 1961, however, not development assistance in all its forms has in fact declined and amounts to only 86 billion or sixtenths of 1%. Meanwhile, verious groups and organizations in several countries are pressing for the properties to be raised to 1%.

The following proposal is a politically innovatory method of increasing the volume of development aid.

Its essence is to impose a cumulative income tax, a World 2000 Development Tax, on the postwar postcolonial gueration in the advanced countries, by demand of that uncration itself. The proposal is addressed primarily to the able, dedicated and enterprising persons born nince 1930 but, for the proposal to be implemented, it cust be helped along by many older world leaders who expect to live to the year 2000.

### I. THE POSTWAR GENERATION

### Our vy ecedented privileges

The postwar postcolonial generation in the advanced countries is the luckiest in history. We are the first and direct inheritors of four beneficent revolutions. To begin with, thanks to the sacrifice of the last generation, we have been liberated physically from one totalitarian tyranny and protected from the encroachments of another. We have benefited directly from the postwar revolution in technology and economics, being virtually guaranteed full employment and rising incomes throughout our lifetime. We have also benefited from the major social reforms introduced in many advanced countries after the second world war, from family allowances for our parents to greatly improved educational and training opportunities for curselves. Finally, thanks in particular to the revolution in communications and travel, we have become heirs to a one world ethic, transcending earlier bounds of culture, creed and race. In short, we have matured in an age in which it is practical to meet all material needs and to work for open-ended and increasingly sophisticated forms of human resources investment for all markind.

### Strategical Responsibilities to Year 2000

2. Our responsibilities are equally formidable. At the very least we must do as much for the next generation as the previous one did for us through the depression, war and struggle against colonialism. Our task can be put simply: to extend to

the whole of mankind the benefits of the postwar generation in the advanced countries. Such a world transformation is conceivable over a generation, just as in the past, whole populations were transformed after the 1490s, 1780s and 1940s.

- 3. The year 2000 is an excellent target date for accomplishing our aim, for practical as well as psychological reasons. It is a landmark in the calendar of the world's privileged peoples, a year in which the postwar generation can reasonably expect to be alive, and a date therefore which is both near and far enough to give a specific purpose to our life-span. The years 1975-2000 can be considered as the time to implement a world life-cycle development program, and the years 1966-75 to work out openly and democratically the various stages of that program.
- 4. The whole process of development up to 1960 emphasised investment in physical capital it is now practical to pass much more rapidly through this stage to direct investment in people, via the health, nutritional standards and education of the young. The last twenty years have seen enormous sums of money put into public health investment in the developing countries, but without our naming it investment. The next 3 years must see similar investment in nutrition and education so that, however slow paysical capital growth may be, its human objective, that I a healthy well-nourished and well-educated younger generation, will be around to valcome the twenty-first century.
- 5. Already it has become reasonable to expect that by 1975 most developing countries will gain control of their birth rate, thanks to the recent revolution in contractive technology, and he well on the way to solving child nutritional problems, thanks to imported or novel foods produced almost independently of demestic agricultural growth. Retrospectively, therefore, the children born in the 1950s and 1960s will become the world's baby bulge, so that services earlier expanded to meet this bulge can from the 1970s onwards be used to improve the quality of assistance to prents, children and young people. Specifically, the following deadlines could be
  - 1975/80 : adequate nutrition to be provided for all expectant and nursing mothers, for all preschool children between wearing and six years of age, and for all secondary school children;
  - 1980/90 : all children to be provided with ten years of education, and with adequate schoolfeeding;
  - 1990/2000: efforts to be concentrated on material and educational investment in all teenagers and young adults, as trainees; students, workers and parents.

### Political Caracter of world development

- 6. A world life-cycle development program, however, must be fought for, which means a return of the postwar generation to political activity. We are in fact up against two main obstacles. The first is the tendency of the present world economic league to perpetuate the status quo. The more materially advanced one particular section of the human race is today, the more advantages it has to increase its lead in the future. And, because these advantages cover military technology, to protect its advanced position now. Only therefore with a moral revolution (and no applicate are made for those words) can we turn the benefits possessed by the few to the edvantage of all mankind.
- 7. The second is the almost total lack of political precedents for promoting and channeling human progress in an interdependent world, the cally offerings to days

and Town

ranging from longterm world federalism on the one hand to doctrinaire antiimpedialist revolution on the other. Unlike our predecessors we cannot postpone
world political development much longer, if for no other reason, because the world's
poor, under dogmatic leadership, now have their own atomic bombs. Such bombs could
hardly be dropped on the world's privileged peoples, even out of desperation, but
the threat of them could be used to create chaos among the poor themselves.

- 8. This indeed is the greatest danger of our age, that world poverty with or without bembs will be compounded by chaos, as it was in the Congo, and as could happen on a much greater scale in Africa, Asia or Latin America, without the privileged world having the moral, or even the readily convertible physical resources to stop this chaos spreading. Only if our generation in the advanced countries is ready to identify itself politically with the require non-doctrinairs reform movements in the developing countries can we find a courson political program which will bring freedom from want and open-ended human investment within reach of all mankind.
- 9. The postwar generation also has three distinct political advantages. Our leadership has not been decimated by war; our outlook and methods will be more balanced and humane than any previous generation, thanks to the increasing social and intellectual emancipation of women and their complementary partnership in political development; and we have an enormous untapped reserve of enterprise which, mistakenly from past precedent, is currently wasting away in commercial, governmental, and other forms of bureaucrapy.
- 10. The question only is whether our generation as a whole is educated enough and, without the accelerating processes of war and revolution, matured enough, to realize our political responsibilities and, if so, whether we can push forward the teams of dedicated and enterprising leaders able to formulate and fight through the political are not so ungently needed to accelerate the pase of world development. Our enemics and self-defensiveness with which so many men in past generations have ridden out a world in which scarcity was taken for granted.

# II. CHARACTERSITICS OF WORLD 2000 TAX

- Il. A generation has matured enough when it is prepared to show self-restraint and impose sacrifices on itself for the sake of coming generations. Such sacrifices, in concrete terms, mean time and money, or pragmatically, money first. We must begin by taxing ourselves, that is, by campaigning to have the state machinery levy a compulsory and cumulative income tax on the postwar generation. Formulas and details of this World 2000 Tax can vary from country to country, so here only the barest essentials will be given, with the UK taken as an illustration.
- 12. The World 2000 Tax will have four main characteristics: it will be a compulsory levy on all persons born after a certain date for the rest of their lifetime; it will form a fixed percentage of all personal incomes; this percentage will be gradually increased throughout the century in fixed proportion to gains; and tax proceeds will be earmarked to promote progressive world political development rather than national political interests.

### Choice of birthyear

13. The tax will be levied on all people born after 1 January 1930, on all single persons born after that date, and on all married couples where wife and/or husband have been born after that date. It would be a flat rate, or at best a very simplified sliding scale, based on past educational training advantages and opportunities rather than on actual levels of earned income. An income tax by age-group is not quite unprecedented, because already discrimination is made in favour of

retired persons at the other end of the scale. Also, some state services are levied by age, and it is a fact that many of the people born since 1930 have escaped the necessity of military service or benefited from reductions. In any event extremely few of our generation have had to undergo the three or more years of military service, with enormous risk of death and mutilation, imposed by two world wars on nearly all members of previous generations. If, however, there is significant opposition to the tax among people born in the earlier 1930s (opposition to be determined by comparative sample polling after a suitable period of public information work), the birth date will be brought forward one or more years, but no later than 1 May 1934, the generation bern in the second third of the century.

- 14. The innovatory principle of compulsorily taxing a specific age-group must on no account be compromised, for two reasons. Here immediately, it is quite unrealistic to expect that a whole nation will campaign to tax itself. There has been every opportunity to do so in the past ten years, but for many reasons, all of them inward-looking and most of them understandable, these opportunities have been missed. The notable exception is Norway, where since 1962 to has been added to municipal income tax above a certain level of income, a tax which was estimated to yield hearly \$8 million in 1965. A more usual occurrence has been for youth and student organization to beat their head against a wall campaigning for the 1% contribution from national income repeatedly resolved by UN bodies: the demand to tax themselves on the other hand will give those campaigns teeth and meaning.
- The second reason is more fundamental: the problems and challenges of the postwar world are to a large extent historically unprecedented. Old institutions and
  methods can hardly cope with them. Demarcating the postwar postcolonial generation
  would go a long way toward dispelling earlier anti-paternalist prejudices within
  the developing countries and also provide an exceptional incentive for that
  generation to work out the new institutions and methods essential for our own
  salvation. After all, only we will be alive to blame for the mess which, without
  unprecedented action, is looming ahead. And the fact that the tax falls on all
  of the postwar generation (among whom even the poorest are rich compared with our
  contemporaries in the developing countries) would create a new bond of solidarity
  cutting across the divisive tendencies of even our own pasts, while throwing a
  special universalist ethic on our leadership.
- 16. This cut-off date would hardly amount to a conflict between generations: person born before 1930 can voluntarily opt in to pay the tax and, once in, can play an integral part in this whole new political movement. The tax would however distinguish the up-to-date in heart from at least the older phonies and lipservicemen and from those who, understandably but regrettably, are envious of the postwar generation. As for the younger phonies and anachronisms, they will be identified and, hepefully, outmanoeuvred in the public education campaign prior to the imposition of the tax.

### Incidence of tax

- 17. The tax will initially be an annual 17 on all personal incomes, gross rather than net (i.e. before tax). This would bring in 107 more revenue, mainly from the better off. In addition to earned incomes, the tax would also fall on grant-aided students and trainees i.e. £3 from an annual £300 grant, but not of course on the unemployed or sick, nor on conscripts stationed in areas of conflict.
- 18. To give a fairly exact estimate of revenue from the World 2000 Tax is almost impossible, because few if any countries keep their tax statistics by age groups. It would seem, however, that a 1% tax on the personal incomes of the postwar genera-

inclaus

tion in the UK would by 1968, the deadline chosen below, bring in some £50 million annually. Personal incomes account for over £20 billion of the UK's gross national product of £27 billion. The number of incomes in the United Kingdom is about 22.5 million, of which a good half would accrue by 1968 to persons born since 1930. It can be assumed that about one quarter of the £20 billion would accrue to this cost-1930 and younger half of the working population: 1% of this is £50 million. Overseas aid from the UK in 1966/7 is expected to reach £225 million: the World 2000 Tax would boost it by nearly one quarter immediately.

### Cumulative character

Even if the postwar generation in all privileged countries were immediately to self-impose the 1% tax, this would bring in only half of the \$4 billion which the developing countries could at once absorb, let alone build up their absorptive capacity to meet real and evolving needs. But in fact, according to the timetalle given below, we could not expect to raise \$1 billion from this tax before 1970. In any case, for the tax to keep pace with needs, it must be cumulative and tied to living standards. Thus, after the initial 1%, the tax will be augmented by one-tenth of all gains in real income. Since it is reasonable to expect real incomes to rise by 2-3% annually for the postwar generation in the advanced countries, this would mean that after four years the tax would be 2% of income, after eight years 3%, twelve years 4%, and so on to the end of the century; that is, \$1 on every \$100, \$2.2 on \$110, \$3.3 on \$120, \$4.4 on \$130 etc. Whether the tax would increase annually, or every three or four years, will be a question largely of administrative convenience. The tax revenue would in every case increase absolutely, as the post-1930 generation becomes an ever greater portion of the population, so that by 1990, virtually all persons with an income will be paying the tax.

### Use of tax proceeds

- 19. The World 2000 Tax will be used primarily to promote the progress of the postcolonial generation in the less advanced countries, the generation who have been kept alive by the postcar revolution in public health, but who are in danger of missing cut on the potential social and economic revolution of modern times, and yet who are now multiplying so rapidly that without special action little relief can be expected for their children. The overall purpose would be to raise the level of education and training in the developing countries, thus incidentally increasing their capacity to absorb aid. Among the specific programs supported by the World 2000 Tax would be:
  - (i) education and other forms of institutional training for young people in the developing countries;
  - (ii) out-of-school training for the young unemployed, especially persons in rural areas and metropolitan slums;
- (iii) family planning among young parents, both as a human right in itself, and as part of an integrated approach to economic and social development, especially the education and advancement of young women in the home and employment;
- (iv) retraining of young (and old) people in the advanced countries who are producing goods which, if it were not for import restrictions, could be produced more compet tively in the developing countries;

- (v) pilot projects for training young unemployed in the advanced countries to produce finished investment and educational goods (fertilizers, radios etc.) needed by developing countries and for which surplus capacity exists in the advanced countries, and
- (vi) creation of more and better facilities for voluntary service, primarily for development abroad, but also on behalf of immigrant workers, ethnic minorities and other handicapped groups at home.
- 20. Overseas projects to be supported in the above six cate ories will be chosen only from programs of UN and other multilateral organizations, international ylung people's organizations and/or countries carrying out genuine internal reform. The main criterion in selecting such projects and countries will be the existence of a humane, selfless and enlightened leadership, to be determined in cooperation with independent experts in sympathy with the objectives of the orld 2000 Tax. In such developing countries, the tax will be allocated through overnment procedures, on the recommendations of specially constituted advisory codies of taxpayers.

# III. INTRODUCTION OF TAX

### Timing

- 21. The World 2000 Tax could and should be introduced initially in a selected number of advanced countries, depending on their size, levels of income, prior educational efforts in development, feeling of solidarity and initiative among the postwar generation, and likely degree of support among the established political leadership. Not many advanced countries would immediately qualify, but such as do may include Canada, Denmark, Netherlands, Sweden, the UK, and also parts of Germany and the US, because the tax can be imposed initially on a state basis, where a countrywide effort is not immediately possible. On the second time round it should be possible to bring in the whole of Germany, US, France, the other Nordic countries, Australia, New Zealand and Yugoslavia, and Finally the other prosperous countries of Europe.
- 22. The three corresponding deadlines for bringing the tax campaign to a climax, with a view to imposing it in the following fiscal year, would be:
  - (1) 1968: International Human Rights Year, with the key dates of Leap Year Day 29 February, marking the 20th anniversary of the UN Appeal for Children which in 1948 helped rehabilitate so many of the postwar generation in the advanced countries themselves, and 10 December, the 20th Anniversary of the Universal Declaration of Human Rights.
  - (ii) 1970: The end of the Development Decade and the UN's 25th anniversary, with the key dates of 25 April and 24 October marking the signing and ratification of the UN Charter, and
- (iii) 1973: the 25th anniversary of the Declaration of Human Rights.

23. The aim would be to have the entire postwar generation paying the World 2000 Tax at the very latest by 1 January 1975. The postwar generation in some advanced countries may find other suitable national deadlines, such as the whole series of 25th anniversary Liberation Days coming up in Europe in 1970. The staking out of multinational deadlines nevertheless remains desirable, in order to emphasise the worldwide character of the movement. Also, in those countries where it would be hopelessly unrealistic to expect a successful tax campaign in 1968 or even 1970, the postwar generation could at least carry out localized programs in support of the movement.

### Techniques

- educational efforts among the postwar generation. In fact a good start has already been made in development education by many youth and student organizations, particularly through the freedom-from-hunger and allied campaigns. Nearly all efforts to date, however, have been within the traditional charity and nongovernmental framework, which has depended largely on the postwar generation as young and energetic agents for these campaigns, but with little say in policy or disposal of funds. In any case there is now a general realization among the postwar generation that voluntary fundraising is hopelessly inadequate, but without heir having worked out a more sophisticated alternative. If an idea like the World 2000 Tax is to begin to provide that alternative, one or two more years of intensive public education must take place even in the most enlightened countries, before the tax is taken in stride by the younger generation.
- However, no sleep must be lost in an effort to get an active majority 25. supporting the World 2000 Tax, any more than an active majority supported the anti-slavery, suffragette or civil rights movement. It is enough and within the proper practice of democracy only that the pace-setting minority in favour of the tax far outweighs in quality any opposition, both among the postwar generation itself and among earlier generations. Indeed, it is almost certain that most enlightened members of earlier generations will, in some cases perhaps wistfully, be only too ready to encourage the postwar generation to take the initiative in the way outlined. But in one or two cases, where strong vested interests are identified with age and seniority alone, the issue may have to be taken to the hallot-box, although such a measure, as any statesman knows, would prove as disruptive as putting the civil rights acts to a referendum. A much simpler method therefore would be to opinion-poll the postwar generation periodically as the tax campaign gathers momentum, with a series of questions leading off from "Would you object to a cumulative tax, beginning with 1% in 1968 and tied to rises in living standards, being levied annually on your income, to help your contempories in the developing countries?"
- 26. In addition to a gradual public information buildup, there may well have to be a series of more activist techniques, the equivalent of the civil rights sit-ins, if not of the suffragette chain-railings. In fact there are two readymade ones for the World 2000 Tax movement, the mass fast and the one day's income

contribution. So the would be appropriate, the latter especially for the date chosen to bring the World 2000 Fax campaign to a head in the first selected countries, namely Thurslay 29 February 1968, because Leap Year Day has the psychological attraction of a special extra day's effort in the calendar of the world's privileged peoples.

- 27. The one-day fast on 29 February 1958 will be a fast of commitment and eacrifice, not of calibitionism and protest. It will be organized on nation-wide scale in the initially selected countries, and joined in simultaneously by groups of the postvar generation already organized in other advanced countries, and by associated groups of more fortunate young people in the developing countries.
- 28. The second form of action will, as in the 1948 Appeal for Children, be the donation, this time by the postwar generation, of all income earned on 29 February 1968. This will include one day's pay, one day's fundraising, or one day's saving on food. For people engaged in physical work, a one-day fast may prove difficult (although Moslems tave for centuries now carried on heavy work during the fasting month of Ramadan), so in such cases only one day's pay will be requested. Students and other persons without an earned income will for the most part be asked only to fast but also, if possible, to take part in the collection of funds on 29 February 1968. All other persons, with incomes earned from work with little physical exertion, will be invited both to fast and to contribute heap Tear Day's income.
- 29. The fast will serve as a head-and-stomach vote for world development, showing by its intensity and extent the determination of the postwar generation to self-impose the World 2000 Tax. The one day's income will be used to begin young people's development work immediately, prior to monthly or quarterly tax returns later in 1968. This contribution, unlike the tax, will be entirely voluntary and can be simply calculated as one-seventh of weekly income or one-thirtieth of monthly income. Sentributions would be paid into special gire or bank accounts between Monday 26 February and Saturday 2 March. Results would be announced each evening over radio and TV networks on the Thursday, Friday and Saturday.

## Organization

- 30. In order to get such an innovatory movement going, it will be necessary to create and evolve our own organizational structure, at international and country level.
- 31. International: The movement will be initially directed and later coordinated by an international Jorld 2000 Development Council, made up initially of members of the postwar generation with experience in national or international development and administration. The Council could be formed under the patronage of the United Nations, or at least have a number of international patrons, from among statesmen, scientists and development administrators in sympathy with the Council's objectives. It could also have a sponsorship committee of individuals, foundations and other voluntary bodies supporting the Council with funds, staff and other facilities.

- 32. The first task of the Council will be to locate persons able to take the initiative in forming nationwide committees, and to seek out a first register of development projects which meet the objectives of the World 2000 movement. The Council will have a small secretariat and, as the movement grows, could reconstitute itself as an elective Council and establish world and regional conference bodies of persons and movements subscribing totally to the movement's objectives. This will make the movement democratic in form as well as in spirit, which is assential in view of the enormous sums of money collected at our institution.
- 33. Country Committees: Action itself, for tax and other practical reasons, will be organized at national level, but with the aid of non-national residents as well. Once nationwide organizers have been located by the international Council, their first task will be to constitute country committees, to be known as World 2000 Committees. Country organizers would then seek out funds for a fulltime secretariat, and begin making countrywide contacts to form local World 2000 Committees.
- 34. Three important sources of contact for both country and local committees will be returned volunteers, now reaching their thousands, young people in professions of special relevance to modern technical and social life, and persons once associated with international student and young people's organizations. At country level, contact must also be made with tax and budget experts, and with national bodies disposing of development information and research facilities or running development programs. The bulk of the work prior to February 1968 both at country and local level will be in the public information and education fields, attempting through various methods to obtain a maximum number of advance pledges to support the fast, one day's income contribution and the World 2000 Tax. Depending on the advanced state of country efforts, a series of simultaneous local meetings and trial fasts can be held on Human Rights Day 10 December 1966, and simultaneous country meetings on 10 December 1967.

### IV. LONGTERM OBJECTIVES

- 35. The World 2000 Tax, even in its thirty year cumulative form, is only the beginning of a completely new political method of tackling world development. The tax will not even represent a financial loss, because the social and moral gains in the advanced countries will, after an initial slowdown in expected rising incomes, translate themselves into a new economic and political consciousness, which will eventually accelerate incomes much faster than if there had been no tax. Indeed one may speculate that, if the tax with all its political motives had been instituted even ten years ago, the more advanced countries might not now be shelling out so much money for armaments, let alone paying for a war in Vietnam. Similarly a tax imposed now, provided it is a product of the political maturity of the postwar generation, will pay for itself many times over in the opportunity costs of armaments and wars avoided in the next thirty years.
- 36. But more especially, the tax will serve as a pointer to many other methods of backing development. In the advanced countries the tax movement would lead

above all to increased investment in education and training of their own young people and to using the resources made temporarily redundant by advanced societies switching over to automation and similar open-ended forms of productivity consciousness, to meet the earlier forms of human investment needed by the developing countries. To give one example, we can expect that by 1980 the World 2000 Tax would have created such a climate among young people and their parents that it would be the rule rather than the exception to spend one or two years in development service, at home as well as overseas. Nor will this service be limited to economic and social development: many young people will return to direct political involvement as they did, for want of a better example, in Spain in the 1930s, but with the benefit of the political sophistication gained from the war and postwar period.

37. These advances, however, and the eventual development of a similar new look on the problems of world trade, liquidity and production generally, and the vision they all offer of a more exciting and humane world, depend in the first place on the total support of outstanding enlightened persons already in positions of authority and influence. This support is needed to help identify, and later to encourage potential leaders of the World 2000 Development movement, at both national and international level. Many of these leaders will identify themselves and will help identify others, for they will realize that, given equal and the highest possible ideals, the wisdom of the old must complement the enthusiasm of the young. Once these persons have been identified, and starting funds obtained, the World 2000 Development movement will get under way.

Form No. 27 INTERNATIONAL DEVELOPMENT ASSOCIATION

### INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

### OUTGOING WIRE

TO:

MRE CONSOLO BERGUESHOTEL

DATE:

APRIL 15, 1966

GENEVA

CLASS OF

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COUNTRY:

SWITZERLAND

TEXT:

Cable No.: (6)

(PAGE 1)

REUR CABLE 5 TO PERINBAM

1. DEVELOPMENT DECADE - SUGGESTED INDUSTRY PARAGRAPH

DEVELOPMENT OF INDUSTRY HAS BEEN A MAJOR OBJECTIVE OF THE WORLD BANK EVER SINCE ITS INCEPTION 20 YEARS AGO. LENDING BY THE BANK FOR INDUSTRY REACHED A CUMULATIVE TOTAL OF \$1,433 MILLION AT YEAR-END 1965 EXCLUSIVE OF ITS EUROPEAN RECONSTRUCTION LOANS IN 1946/47.

THE SPECIAL INTEREST IN INDUSTRIAL DEVELOPMENT LED IN 1956 TO THE CREATION OF AN AFFILIATE OF THE BANK, THE INTERNATIONAL FINANCE CORPORATION (IFC), DESIGNED TO SUPPLEMENT THE ACTIVITIES OF THE BANK BY ENCOURAGING GROWTH OF PRODUCTIVE PRIVATE ENTERPRISE IN MEMBER COUNTRIES. IFC MAKES EQUITY AS WELL AS LOAN CAPITAL AVAILABLE. BY END OF 1965, IFC HAD UNDER-TAKEN 112 INVESTMENT COMMITMENTS TOTALING APPROXIMATELY \$150 MILLION IN COMPANIES IN 34 COUNTRIES.

IN 1960, ANOTHER BANK AFFILIATE, THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) WAS ESTABLISHED TO PROVIDE FINANCE FOR HIGH-PRIORITY

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INTERNATIONAL FINANCE CORPORATION

### OUTGOING WIRE

MR. CONSOLO TO:

DATE: APRIL 15, 1966

BERGUESHOTEL

CLASS OF

GENEVA

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COUNTRY:

SWITZERLAND

TEXT: Cable No.:

(6)

(PAGE 2)

PROJECTS ON CONCESSIONAL TERMS. BY THE END OF 1965, IDA HAD EXTENDED CREDITS FOR INDUSTRIAL PROJECTS TOTALING \$221,5 MILLION.

TOGETHER, THE WORLD BANK GROUP HAS PROVIDED ABOUT \$1,804 MILLION TO ASSIST MORE THAN 400 INDUSTRIAL PROJECTS IN 44 MEMBER COUNTRIES. MORE THAN HALF OF THIS AMOUNT WAS COMMITTED IN THE LAST FIVE YEARS. IN RECENT YEARS THE BANK GROUP HAS PLAGED INCREASING EMPHASIS ON TECHNICAL AND FINANCIAL ASSISTANCE TO PRIVATE DEVELOPMENT FINANCE COMPANIES SERVING INDUSTRIAL AND OTHER PRODUCTIVE ENTERPRISES. THE GROUP HAS ALSO RENDERED EXTENSIVE TECHNICAL ASSISTANCE SERVICES IN THE INDUSTRIAL SECTOR.

2. UNOID AD HOC COMMITTEE -

MEETING STILL IN PROGRESS STOP NOT EXPECTED TO END UNTIL NEXT WEEK STOP REGARDS.

HOFFMAN

INTBAFRAD

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Mr. Michael L. Hoffman

cc: Mr. Perinbam

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TO ASSIST MORE THAN LOG INDUCTABLA PROJECTS IN the MEMBER COURTSES.

MORE THAN HALF OF THIS AMOUNT WAS COMMITTED IN THE LAST MINE YEARS.

IN RECENT TEARS THE BANK GROUP HAS PLACED INCREASING EMPHASIS ON TECHNICAL AND MINAMOLAL ASSISTANCE TO PALAMED DEVELOPMENT FLANCE COMMANIES OF RECHNICAL INDUSTRIAL AND OTHER PRODUCTIVE ENTERWISES. THE CHOOSTHIAL DECION.

2. CHUID AD HUC COMMENTINE -

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Mr. Michael L. Hoffman

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APRIL 14, 1966

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TEXT:

5 FOR PERINBAM

DEVELOPMENT DECADE REPORT PLEASE CABLE SOONEST PARAGRAPH ON BANK IFC INDUSTRIAL ACTIVITIES INCLUDING FINANCING DURING PERIOD CONSIDERED. AWAITING URGENTLY YOUR REPORT ON UNOID ADHOC COMMITTEE THANKS

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE

### OUTGOING WIRE

TO: FEDERICO CONSOLO

BERGUESHOTEL

GENEVA

DATE: APRIL 12, 1966

CLASS OF

SERVICE: NLT

SWITZERLAND

TEXT:

COUNTRY:

Cable No.: (3)

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LEWIS PERINBAM

INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME

Mr. Lewis Perinbam

DEPT.

Development Services

SIGNATURE .

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

For Use by Archives Division

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Hoffman

Mr. Lind

LP:mar

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: .

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OF PARAGRAPH S WHICH IS MUTITLED "COORDINATION OF AID" STOP BOTH INDUSTRIAL DEVELOPMENT STOP RECARDS.

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Mr. F. Consolo 2245 cc: Mr. John Guinness

WH/vb

EC 132/1(3-3)

1 April 1966

Dear Mr. Perinbam,

I attach three copies of the tentative outline of the Interim Report on the Development Decade. Although minor adjustments may still be required in the detailed contents and also in the titles of some of the sections and sub-sections to Chapter III, I do not believe that any major changes in the structure of the Report will be required as the material received fits rather well into the suggested structure.

I also attach the texts of several sections of Chapter III (see attached list). Again, these drafts are not in final form, in the sense that some further adjustments may still be required. I hope to send you, as they are dompleted, further sections of Chapter III.

I would propose that any suggestions you may have concerning amendments, deletions or additions to the text, be sent to me by cable if they affect matters of major importance. If they concern relatively minor points, I would suggest that they be taken care of at the meeting of the AGC Sub-Committee on the Development Decade, which is due to meet on 14 April 1966.

Bearing in mind that this Report will be an interim one, I nevertheless would like to suggest that, particularly for some sections, it may still be useful to insert somewhat more forward-looking material, including proposals for which it may be useful to obtain the Economic and Social Council's approval, or perhaps, the Council's blessing.

Yours sincerely,

Walter Hecht, Chief Regional Commissions Section

Mr. Lewis Perinbam, Liaison Officer International Bank for Reconstruction and Development 1818 H Street, N.W. Washington, D.C. 20433

March 17, 1966

Dear Mr. Hill:

On behalf of Mr. Woods I am replying to your letter EC132/1 (3-4-2) of March 4.

We have studied the first draft of Parts I and II of the Development Decade report and have only one comment to make. We think that on page 14 where the problem of commodities is dealt with, there should be a more specific mention of the study of the world coffee economy now being jointly conducted by the Bank, FAO and the International Coffee Organization. As you probably know the Bank is financing half of the cost of the study which will be directed to identifying alternate production and investment opportunities for the countries concerned, in connection with its long-range review of the coffee problem.

Sincerely yours,

Federico Consolo Special Representative for United Nations Organizations

Mr. Martin Hill Deputy Under-Secretary for Economic and Social Affairs United Nations, N.Y.

Cleared with and copy to: Mr. Kamærck Copy to Mr. Wishart CENTRAL FILES with incoming correspondence

Ho:mar

INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

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FORM No. 89 (9-62)

# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION INTERNATIONAL FINANCE CORPORATION

ROUTING SLIP

Date

March 7, 1966

# Action Note and Fire Approval Note and Return Comment Prepare Reply Full Report Previous Papers Information Initial Signature

Remarks

Please handle.

G. D. Woods

Fr

# UNITED NATIONS



## NATIONS UNIES

### NEW YORK

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EC 132/1(3-4-2)

4 March 1966

Dear Mr. Woods,

Research

I enclose a copy of the first draft of Parts I and II of the report on the Development Decade which is to be submitted to the forty-first session of the Council pursuant to General Assembly resolution 2084 (XX) and Council resolution 1089 (XXXIX). This draft has been based on the material collected by Mr. Andrew Brown who visited the headquarters of a number of agencies in January.

As you will recall, it was agreed at the meeting of the ACC Sub-Committee on the Development Decade in Geneva on 4 and 5 January 1966 that a draft of Parts I and II of the report should be circulated in advance of the next meeting of the Sub-Committee in order to allow time for the transmission of written comments and for the preparation of a revised draft. I should therefore be most grateful if you could let me have any additions or revisions you think necessary. Especially in Part II, the paper would benefit from some expansion to take account of the arrangements and plans of other organizations. I should like to stress that, for our part, we regard this draft as a preliminary version of the paper to be submitted to the Sub-Committee and to the ACC and that we ourselves may wish to introduce further changes. In view of the very limited time available for preparation of the second draft, it would be appreciated if you could send me any comments you may wish to make in the very near future, preferably within the next two weeks.

It is proposed that the revised text, together with a draft for Part III, should be considered at a meeting of the Sub-Committee to be held in Geneva on 14 April and if necessary on 15. I cannot conceal my concern at the fact that so little material has been received in respect of Part III, the deadline for which, agreed by all concerned, was 28 February. If a special effort could be made to expedite the provision of this material we should be most grateful.

Yours sincerely,

Deputy Under-Secretary for Economic and Social Affairs

Mr. George D. Woods President International Bank for Reconstruction and Development 1818 H Street, N.W. Washington, D.C.

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March 1, 1966

Dear Mr. Hecht:

Further to Mr. Consolo's letter of February 4, 1966, I am attaching herewith three copies of a statement which contains the Bank Group's contribution to Part III of the report on the Development Decade which is under preparation for presentation to the forty-first session of the Economic and Social Council.

We should appreciate it if you would kindly let us see the section relating to the Bank in your report before it is finalized.

Sincerely yours,

Lewis Perinbam
Liaison Officer
Development Services Department

Encl.

Mr. Walter Hecht Department of Economic and Social Affairs United Nations, N.Y.

cc: Mr. Consolo Mr. Wishart



LP:mar

### THE WORLD BANK GROUP'S CONTRIBUTION TO THE DEVELOPMENT DECADE

### I. Areas of Maximum Contribution To The Development Decade

### 1. Bank/IDA/IFC Operations

The essential function of the World Bank group of institutions, which includes the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the International Development Association (IDA) - is to promote economic development by the productive investment of capital. Over the years, this function has been conveived in progressively broader terms, so that the objectives to which the Bank group is committed are almost coterminous with those of the Development Decade. It has sought, however, to avoid duplicating the work of the other agencies of the United Nations system, and to strengthen its ties with these agencies to ensure that its financial resources and services will be utilized as effectively as possible.

Since the beginning of the Development Decade, the membership of the Bank has risen from 68 to 103, including 34 new African, Asian and Caribbean nations. Its authorized capital was increased to a total of \$24 billion, to make room for additional member subscriptions. The IFC's membership similarly increased from 59 to 81. IDA's present membership is 96.

The core of the Bank group's activity is the financing of productive projects. From the beginning of 1960 to December 31, 1965, the Bank made 197 loans totaling \$4.6 billion in 62 countries. 79 IDA Credits were authorized in 30 countries to a total of \$1.2 billion. Eighty-three IFC investment commitments during this period amounted to \$119.5 million in 31 countries.

### 2. Policies of the Bank Group

The Bank Group has sought, in various ways, to expand and make more flexible its services to developing countries. While the main effort of the Bank Group is directed to building the infrastructure of the developing countries, the importance of agriculture and education in the process of economic development has also been recognized. Consequently, the Bank and IDA are making special efforts to increase their financial contribution in these fields and to enhance its effectiveness. Agreements have been concluded with FAO and UNESCO to enlist their close and continuous cooperation in the tasks of identifying and preparing projects suitable for Bank/IDA financing, in helping the Bank staff to appraise and supervise the execution of projects and in providing technical assistance where necessary.

In 1964, the Board of Governors took an unprecedented step when it decided to transfer \$50 million from the Bank's net income for the fiscal year 1963/64 to IDA as a grant. And, in 1965, a further \$75 million was transferred, also by way of a grant, to IDA from the Bank's net income for 1964/65.

The Bank has continued to adjust its lending terms, within limits consistent with sound practice, to fit the financial and debt service situation of the developing countries. Relatively longer maturities and grace periods were fixed in some cases where they seemed appropriate.

The Bank has also revised its practice with respect to interest rates. Hitherto, its lending was based on a standard interest rate for all borrowers. In 1965, the Bank decided to charge rates of interest up to one per cent higher than the standard interest rate for projects in high income countries, which are able to borrow most of the external capital they need from market sources. On the other hand, in the developing countries which receive varying combinations of Bank loans and interest-free IDA credits, the actual lending rate is lower than the established standard rate for Bank loans.

In 1961, IFC was given greater financial flexibility and scope by an amendment to its Charter which authorized it to make equity investments as well as loans. In addition, it is helping to strengthen local capital markets by underwriting or stand-by commitments for new issues of shares to the public. Another major development in this regard was an amendment to the Articles of Agreement of both the Bank and IFC which will permit the Bank to lend to IFC, without government guarantee, for relending to private enterprises to a maximum of \$400 million.

In 1965, IFC was assigned responsibility for the whole Bank Group in the technical and financial appraisal, preparation and supervision of industrial projects. Furthermore, the decision to allow the Bank to lend to IFC will add to IFC's potential resources for lending to private industry in the developing member countries, and enhance IFC's goal as the Group's instrument for industrial development.

### 3. Technical Assistance

Since 1960, the Bank Group's technical assistance services to its member countries have continued to widen both functionally and geographically. Twenty-five economic survey, programming and advisory missions (five of them since 1960) have been organized at the request of member governments, to help them evaluate their development potential and formulate sound plans for realizing this potential. The Bank is increasingly engaged, on a day to day basis, in helping member countries to prepare and evaluate specific investment projects. As a result of these activities the funds devoted to technical assistance and related services to member countries have increased from less then \$1 million in 1960 to about \$4.5 million in 1965.

In eastern and western Africa, where the problems of development are particularly complex, the Bank has established permanent regional missions, primarily to assist the governments in those areas to identify and prepare specific projects for presentation to the Bank or IDA. These missions have their offices in Nairobi and Abidjan respectively. Initially, they are concentrating their efforts on agriculture and transportation, but eventually may give their attention to projects in other sectors as well. Members of

the missions will be available to advise governments, both on general policy issues in connection with projects and in the solution of practical problems that arise in their preparation. In this context, an Agricultural Development Service has been established for eastern Africa. It will be staffed by expatriate British agricultural experts displaced by Africanization, to take advantage of their experience in the planning and initial stages of execution of new agricultural projects. Its principal functions will be to help the Governments of East Africa in the organization and management of agricultural (especially resettlement) projects and in the training of African supervisors.

The Bank has placed a great deal of emphasis on helping its member countries to identify promising investment opportunities and to make the necessary economic and technical studies and organizational arrangements for their realization. Besides conducting project and sector studies on its own account, the Bank has continued to act as the Executing Agency for similar preinvestment studies financed by the U.N. Special Fund. In this capacity, the Bank proposes a plan of operations for the studies entrusted to it, recruits the necessary experts and determines their terms of reference, and supervises the work done. The President of the Bank has served on the Consultative Board of the Special Fund and is now a member of the new Inter-Agency Consultative Board of the U.N.D.P., which comments on all studies proposed for consideration.

### 4. Institutional and Administrative Development and Training

The Bank's contribution to the creation and strengthening of the institutions necessary for economic progress fall broadly into three categories:

- (i) Assistance for the establishment and growth of financial institutions;
- (ii) Measures to strengthen development agencies of other types;
- (iii) Training programs.

One of the most promising instruments for promoting industrial development is the development finance company (sometimes called a development bank). These institutions can be extremely useful for mobilizing domestic capital on the scale necessary for efficient industrialization, for evaluating the technical and economic merits of industrial projects and determining what must be done to establish them on a sound basis, for attracting foreign investment and knowhow on advantageous terms, for studying investment risks and for broadening participation in the ownership of industries.

In the agricultural field, a major focus of Bank/IDA efforts is to help build up local institutions for fostering agricultural improvement - whether farm credit agencies of the usual type, agricultural development corporations with broad promotional functions or agencies to aid the production and marketing of specific crops.

The Bank and IFC have also worked closely with the United Nations Economic Commission for Africa in the preparations for the establishment of an African Development Bank, and have undertaken to assist further in the organization of

that Bank and of the training of its staff. Similar help has been provided in connection with the establishment of the Asian Development Bank under the auspices of the U.N. Economic Commission for Asia and the Far East (ECAFE).

An important feature in many of the Bank Group's financial operations has been the provision made for strengthening the management organization, or procedures of the entities responsible for carrying out the project or program, for which finance is provided. Funds for the employment of consultants on special administrative problems, or the hiring of expatriate personnel on a temporary basis to supplement and train local staff are often included in Bank/IDA loans and credits.

In addition to the training activities incidental to its financial and technical assistance programs, the Bank conducts general training programs in fields broadly relevant to economic development through the Economic Development Institute (EDI). Its central aim is to improve the quality of public economic management in the developing countries by gathering together groups of senior officials from those countries to study the practical problems that arise in preparing and carrying through development programs and projects. Since its inception in 1955, some 500 participants from more than 90 countries have taken part in EDI Courses.

### II. New Initiatives

### 1. UNCTAD Studies

At the United Nations Conference on Trade and Development (UNCTAD) held in 1964, the Bank was requested, and agreed, to undertake several studies of problems and proposals in the field of development finance. The first of these was completed and forwarded to the United Nations in February 1965; it dealt with the Horowitz Proposal, which was advanced by the Governor of the Bank of Israel as a means of increasing the volume of development frunds available for lending on a multilateral basis at low interest and for a long term. The Bank study analyzed the technical problems involved and stated the principal issues for consideration by governments.

The second study concerns a proposal by the United Kingdom and Sweden for a system of supplementary financial measures to prevent the disruption of development programs to developing countries resulting from unpredictable short-falls in their export earnings. This study was transmitted to the Secretary General of the United Nations in December 1965. The third study, which related to multilateral investment guarantees, is still under consideration. In the meantime, an interim report has been sent to the U.N. outlining the present status of the study. The fourth study, which is also under preparation, will examine the use and terms of suppliers' credits.

### 2. Consortia and Consultative Groups

In recent years capital-exporting countries have explored various methods of coordinating their financial assistance to the developing countries in order to ensure its most effective use. Two early efforts of this kind were

the Consortium for Aid to India, which the Bank convened in a situation of emergency in 1958, and a Consortium for Aid to Pakistan which the Bank first assembled in 1960. These groups have continued periodic meetings to examine the development plans of the two countries and to agree on the amount of external resources which they are prepared collectively to make available in support of these plans.

For certain other developing countries, the Bank has undertaken to organize consultative groups of interested capital-exporting countries. These groups do not engage in annual aid pledges, but in other respects they are intended to serve the same purposes as the consortia. Consultative groups have been organized for Colombia, Nigeria, Sudan, Tunisia, Malaysia and Thailand, in each case at the request of the aid-receiving governments. The Bank is working to enhance the effectiveness of these consultative groups. It is also, within staff limitations, preparing to organize new ones, in cases where the establishment of such a group is desired both by the developing country and the principal capital-exporting countries concerned, and where it is likely that the economic performance of the developing country would be improved thereby.

### 3. Measures to Encourage Foreign Investment

A major obstacle to economic growth has been the uncertainty on the part of private investors about the security of their investments in the developing countries against other than normal business risks. As a step toward overcoming this difficulty, and to encourage a freer flow of private capital to the developing countries, the Bank has prepared a Convention on the Settlement of Investment Disputes between States and Nationals of Other States. The Convention provides for the establishment of an International Center for the Settlement of Investment Disputes as an autonomous institution under the auspices of the Bank. The Center will make available facilities for conciliation and arbitration, to which contracting parties and investors who are nationals of other contracting states will have access on a voluntary basis under rules laid down in the Convention.

As of January 31, 1966, the Convention which will come into force 30 days after it has been signed and ratified, accepted or approved by 20 governments, had been signed by 33 countries and ratified by 2 of them.

### 4. IDA's Resources

The major international institution for transferring capital to the lowincome countries on concessional terms is the International Development Association (IDA). Unlike the Bank however, IDA cannot raise funds by borrowing in
the capital markets, and its earnings are small. By far the largest part of its
resources has originated from the governments of the high-income countries from their initial subscriptions and from later contributions - and these resources have been supplemented during the past two fiscal years by transfers of
\$50 million and \$75 million from the Bank's net income. The total of convertible
funds so far at the disposal of IDA has amounted to just under \$1.7 billion.

The amount that it has committed in credits has now topped the \$1 billion mark.

If IDA is to continue to provide development credits, further funds must be secured from the governments of the high-income countries among its members. Its present resources are expected to be fully committed in 1966.

### 5. Coffee Study

The Bank has agreed with FAO and the International Coffee Organization to conduct jointly a study of the world coffee economy. The Bank is financing half of the cost of the study. The study will be directed to identifying alternate production and investment opportunities for the countries concerned, in connection with its long-range review of the coffee problem.

### 6. Fertilizer Study

The Bank is considering, with the help of consultants, what it might do in cooperation with private fertilizer producing companies and governments, to help achieve a massive increase in fertilizer production and consumption in the developing countries.

### 7. Distribution of Bank Reports

The Bank frequently receives requests from other international agencies for copies of those country economic reports, debt studies, commodity studies and project appraisal reports which are sent to the Executive Directors and are available for transmission to their governments.

The Bank has now decided to supply, as a matter of course, to those international agencies which have development responsibilities and objectives in common with the Bank, copies of all Bank/IDA reports referred to above, in their areas of interest, which are sent to the Executive Directors and which the Directors may send on to their governments. Recipient agencies are being asked to confine access to all restricted reports to their own personnel and have been advised that the reports may not be published or quoted without the Bank's prior consent.

LPerinbam/MLHoffman/AMKamarck/mar February 28, 1966

INTERNATIONAL FINANCE CORPORATION

# OFFICE MEMORANDUM

TO: Files

DATE: February 7, 1966

FROM: Rosalind Gilmore

SUBJECT: United Nations Development Decade

- 1. On Friday, January 28, Mr. Kamarck discussed with Mr. Andrew Brown of the United Nations Secretariat the work done by the World Bank which was relevant to the development decade. There were also present Mr. de Vries, Mr. Kalmanoff, Mr. Mason, Mr. Kochav and Mrs. Gilmore.
- Mr. Brown said that he was collecting material for the report 2. requested by ECOSOC on targets within the development decade. The report would direct itself mainly to the question whether more comprehensive, consistent, realistic and clearcut goals could not be established for the next development decade, and would deal only incidentally with the progress of the present one. This was in part in response to the wish manifested by the General Assembly that a more detailed and consistent set of targets for economic progress in the various sectors should be set out for the future: the target of five per cent growth for the present decade had been chosen without much detailed calculation. Mr. Brown had already held discussions with most of the other specialized agencies, and hoped to produce a report compiled cooperatively and agreed by all the agencies in draft. He was therefore asking the agencies whether they felt that this sort of forward planning would be worthwhile and realistic, and how it might best be done. He would also like to deal with some particular areas of Bank work, on which he would be grateful for information.
- Mr. Kamarck said that the Bank's approach to the problems facing it made it impossible to answer directly the general question about forward planning. By far the greater part of its work was done on individual countries, or indeed on individual projects. The Bank did not attempt any global planning in the proper sense of the word. The emphasis of economic reports on particular countries was beginning to change. Increasingly, in addition to our usual attempts to assess a country's creditworthiness, we were trying to estimate its capital requirements over the next five years, and to secure an improvement in its development policies. In assessing a country's development plan, the Bank looked at the obstacles to its growth, its potential resources, and attempted to revalue priorities between sectors. However, some sectors were as yet not well covered. Special arrangements had been made with the FAO and UNESCO to help the Bank cover agriculture and education, the Bank was itself expert on power and transport, and was moving into certain parts of the social sector such as water; but it had no adequate means of judging other elements such as public health and housing. Moreover, we made no attempt to compare sectors globally, judging priorities between, say, investment in schools in Pakistan and irrigation in Nigeria.

4. Mr. Brown said that he would be particularly interested to hear about the estimate of a US\$3 biddies to US\$4 billion gap in capital requirements, about the Bank's views on performance criteria, and about its work on debt.

### Capital Requirement Gap

Mr. Kamarck and Mr. de Vries explained the ways in which the 100\$3 billion gap had been estimated. Whenever possible, each country economic report now included a careful estimate of the feasible growth rate for that country on a reasonably optimistic estimate of the capital supply it could hope to tap over the coming years. This was an operational estimate: the figures for growth, resources, and allocation between sectors would obviously be quite different if one were to assume an unlimited supply of interest free capital, and the Bank did not want to suggest investment in sectors or on projects which the country clearly could not finance. In this way, the individually estimated capital requirements were conservative; and the \$3 million to \$4 billion figure had been obtained by adding adjusted estimates for a large sample of countries, and making a pro rata calculation for the others. The \$3 billion to \$4 billion had always been presented as the minimum which the Bank thought the developing countries could absorb in addition to the likely flow of funds to them in the coming years, and since the figure was derived from a deliberately restrained projection it should continue to be presented as a minimum.

### Performance Criteria

6. It was remarked that in consultative groups, one often found that aid givers had certain fixed ideas about the most important performance criteria (e.g., percentage of g.n.p. taken in taxation, the marginal savings ratio, or the level of savings in an economy); but to judge all developing countries' economies on any one of these criteria often resulted in demonstrably false evaluations. The Bank was moving increasingly toward the view that, provided a country was growing satisfactorily, its performance on any one of these particular indicators was largely immaterial; but donors had many latent preconceptions about performance criteria, and Mr. Kamarck agreed with Mr. Brown that it would be helpful to bring them into the open.

### Debt Servicing

7. Mr. Kamarck said that the Bank used three systems for assessing the debt burden on any developing country. First, there was the reporting of every individual debt by countries that had received IDA credits or Bank or IDB loans. Secondly, there was the secret Plan for the Exchange of Information on International Indebtedness, under which fourteen creditor countries reported to the Bank and received a consolidated table showing all the information. Thirdly, the Bank was presently consulting with the OECD about a scheme to set up a new system of reports from creditors.

The Bank and Fund would next week hold a joint meeting of experts to discuss problems of definition in debt reporting and methods of improving the available information. An assessment of the debt burden on each underdeveloped country, and its capacity to service that debt, was one of the most important features of every country economic report.

### General

- 8. Mr. Brown said that the Secretariat believed that the preparatory work for the next development decade must be done differently and more thoroughly. The other specialized agencies in general agreed that it was worth while to try to create a framework of projections and targets for the future within which programs for particular sectors could be worked out. Without such overall targets the indicative planning for agriculture being done by the FAO and the long range educational planning for the Asian region being done by UNESCO would be largely meaningless. Moreover, it would be necessary to emphasize the policy changes by which less developed countries could help themselves, rather than merely present another aid bill to the developed countries. It was also highly desirable to develop performance criteria for these countries, to assess priorities between sectors, and to determine in which fields domestic resources could be substituted for foreign. The report might try to set the scene for both of these types of detailed work.
- 9. It was generally agreed in the meeting that the Secretariat report on the development decade would be much more useful if it placed an equal emphasis on what the underdeveloped countries could do to help themselves as on what the donor countries should do for them.

cc: Mr. Kamarck

Mr. Friedman

Mr. Hoffman

Mr. Kalmanoff

RG:ss

February 4, 1966

Dear Mr. Hill:

On behalf of Mr. Woods I am replying to your letter EC132/1 (3-4-2) of January 19 on the meeting of the ACC Sub-Committee on the Development Decade.

As I informed Mr. Guinness at the recent meeting in Geneva of this Sub-Committee, Mr. Lewis Perinbam, Liaison Officer, will be responsible for coordinating the Bank Group's contribution to Part III of the new Development Decade report. Mr. Hecht should therefore get in touch direct with Mr. Perinbam in this connection.

Sincerely yours,

Federico Consolo Special Representative for United Nations Organizations

Mr. Martin Hill Personal Representative of the Secretary General to the Specialized Agencies United Nations, N.Y.

cc: Mr. Perinbam
Mr. Wishart
CENTRAL FILES with incoming letter

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FORM No. 89 (9-62)

# INTERNATIONAL BANK FOR PECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

ROUTING SLIP

Date Jan. 28, 1966

### OFFICE OF THE PRESIDENT

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Action	Note and File
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Comment	Prepare Reply
Full Report	Previous Papers
Information	Recommendation
Initial	Signature

### Remarks

For any necessary action, with a copy of the reply to this office for record purposes.

G. D. Woods

# UNITED NATIONS



### NATIONS UNIES

### NEW YORK

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EC 132/1(3-4-2)

19 January 1966

Dear Mr. Woods,

In accordance with the decision of the ACC at its meeting in October 1965 and in the light of subsequent inter-agency consultations a meeting of the ACC Sub-Committee on the Development Decade was held in Geneva on 4 and 5 January 1966, at which the preparation of the report on the Development Decade to be presented to the 41st session of the Council in accordance with General Assembly resolution 2084 (XX) and ECOSOC resolution 1089 (XXXIX) was discussed in .... detail. I enclose two copies of the minutes of the meeting. — Research False.

In response to a question at the final session of the meeting of the Sub-Committee it was agreed that we should give further thought to the framework of Part III of the report and in particular to see whether it would be possible to give further guidance to the agencies as to what framework or functional classification would be adopted for Part III of the report.

Having considered the matter further we have come to the conclusion that at this stage it would be difficult to add anything to paragraph 5(ii) of the minutes of the Sub-Committee's meeting (Co-ordination/DD/4), as the exact framework to be adopted in Part III will depend on which activities, programmes and projects are selected by agencies for inclusion in their submissions for Part III

Mr. George D. Woods
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

m. Jeb. 4/66

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EC 152/11(5-4-2)

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In accordance with the decision of the ACC at its meuting in october 1965 and in the light of subsequent inter-exempt consultations a meeting of the ACC Sub-Counttree on the Development Decade was held in Geneva on h and 5 January 1965, at which the preparation of the report on the Development Lecade to be presented to the Wist seasion of the Jouncil in accordance with General Assembly resolution 2084 (XX) and ECOSOC resolution 1089 (XXXIX) was discussed in detail. I enclose two copies of the minutes of the meating.

In response to a question at the final session of the meeting of the Sub Committee it was agreed that we should give further nought to the framework of Part III of the report and in particular to see whether it would be possible to give further guidance to the agencies as to what framework or functional classification yould be adopted for Part III of the report.

Having considered the matter further we have come to the conclusion that at this stage it would be difficult to add anything to paragraph 5(ii) of the minutes of the Sub-Committee's meeting (Co-ordination/DD/h), as the exact framework to be scouted in Part III will depend on which activities, programmes and projects are selected by agencies for inclusion in their submissions for Part III

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of the report. While some of the larger agencies indicated that they were thinking of including 4 to 7 programmes, activities and projects in their contributions, we do not yet have a comprehensive list of the topics the agencies propose to include in their submissions. It would be most helpful if agencies could let us have a list of such topics in advance of their actual contributions, as this would greatly facilitate the task of advance planning for Part III of the report.

We should also be grateful if, in accordance with paragraph 6(ii) of the minutes of the meeting, you could let us know at your early convenience the name of the officer in your organization who will be responsible for co-ordinating your contribution to Part III of the report. Mr. Walter Hecht of the Department of Economic and Social Affairs will be the officer at United Nations Headquarters responsible for preparing this Part of the report.

Finally, I should like to draw your attention to paragraph 6(iii) of the records of the Sub-Committee's meeting in which it is suggested that Part III of the report should consist of only 50 to 60 pages. We believe that the report will lose much of its impact if it is any longer. In view of the necessity of keeping Part III within this length and the difficulties inherent in cutting down long contributions in the very short time available it will be of great assistance if agencies could keep their submissions for Part III of the report as close as possible to the amount that can reasonably be included, the nature of which is "highly selective" (paragraph 5(iii) of Co-ordination/DD/4).

Yours sincerely,

Martin Hill

Personal Representative of the Secretary-General to the Specialized Agencies