

CONFIDENTIAL

FROM: The President

SecM69-472

October 10, 1969

PEARSON COMMISSION'S RECOMMENDATIONS
RELATING TO THE WORLD BANK GROUP

The Executive Directors will recall that, in my annual statement to the Board of Governors, I said that "I propose to undertake a careful analysis of each of the Commission's recommendations which in any way bears upon our work, and to submit these analyses to the Bank's Directors with proposals for appropriate action."

Attached is a list of the 33 recommendations in the Pearson Commission's report which are directed to, or bear upon the activities or policies of, the Bank Group. With respect to each of these recommendations I will present to the Executive Directors a memorandum proposing the position which I believe the Bank should adopt on the recommendation and the action, if any, which I believe it appropriate for the Executive Directors to take. I have assigned to Mr. Demuth responsibility for preparing these memoranda.

The first series of memoranda will be scheduled for distribution to the Executive Directors by early December. Thereafter, I intend to distribute further series of memoranda on a monthly basis. I would hope that we could complete consideration of all, or virtually all, of the recommendations by April 30, 1970.

Robert S. McNamara

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC

RECOMMENDATIONS DIRECTED TO OR BEARING ON
THE ACTIVITIES OF THE WORLD BANK GROUP

1. "Thus, for example, international agencies such as the World Bank should take into account in considering loans for agricultural projects not only the rates of return in the borrowing country, but also the impact of new production capacity on world market prices." (Ch. 4, text, p. 83)
2. "Discussions should be expedited leading to a program of supplementary finance to deal with problems caused by unexpected and sustained shortfalls in the export earnings of developing countries." (Ch. 4, Rec. 3, p. 97)
3. "Financing of reasonable buffer stocks in support of well-conceived commodity agreements and policies should be recognized as a legitimate object of foreign aid." (Ch. 4, Rec. 4, p. 97)
4. "Bilateral donors and international agencies should provide financial assistance to institutions, such as development banks and clearing and payment unions, which are designed to promote trade among developing countries on a regional scale." (Ch. 4, Rec. 9, p. 97)
5. "Regional development banks, in cooperation with other international agencies, should take the lead in making available special funds for the refinancing of export credits granted by developing countries, and in establishing regional export credit insurance facilities." (Ch. 4, Rec. 10, p. 98)
6. "At the international level, talks leading to the establishment of a multilateral investment insurance scheme should be pursued vigorously." (Ch. 5, text, p. 109)
7. IFC policies should be reoriented to emphasize the development effect of its investments and not just their profitability. (Ch. 5, text, pp. 114-115)
8. "The Commission . . . urges international institutions such as the World Bank to give suitable technical assistance to developing countries in appraising the terms of export credits offered to them." (Ch. 5, text, p. 121)
9. "Because the IFC and organizations like it have links with the private sectors of both developed and developing countries, they are logical agents for project identification and investment promotion work, and they should become much more active in this field." (Ch. 5, Rec. 5, p. 123)
10. "International institutions, such as the World Bank and UNIDO, should expand further their advisory role regarding industrial and foreign investment policies." (Ch. 5, Rec. 7, p. 123)

11. "In regard to the possible excessive use of export credits, a strong 'early warning system' based on external debt reporting should be evolved by the OECD and the World Bank." (Ch. 5, Rec. 10, p. 123)
12. "Preparations should begin at the earliest possible moment for establishment, where necessary, of new multilateral groupings which provide for annual reviews of the development performance of recipients and the discharge of aid and related commitments by donors. The World Bank and the regional development banks should take the lead in discussions to this end, and the World Bank, or another appropriate existing agency, should provide the necessary reporting services for such groups." (Ch. 6, Rec., p. 135)
13. "All member nations of the Development Assistance Committee should prepare plans for reaching the 0.70 per cent target, and the President of the World Bank should place discussion of these plans on the agenda of the 1971 meeting of the Board of Governors. The national plans should be submitted for publication to the Chairman of the DAC by January 1, 1971." (Ch. 7, Rec. 3, p. 152)
14. "We recommend that debt relief operations avoid the need for repeated reschedulings and seek to re-establish a realistic basis for development finance. The World Bank and the IMF, as important providers of long-term and short-term finance respectively, must of course participate in rescheduling discussions." (Ch. 8, text, p. 157)
15. "We recommend greater help to development banks and similar institutions in developing countries. In addition, assistance should be provided to such promising activities as industrial parks and agricultural cooperative credit institutions, designed to promote financing of the domestic private sector." (Ch. 9, text, p. 179)
16. "Multilateral agencies should extend the practice of joint or parallel financing of projects." (Ch. 9, Rec. 6, p. 189)
17. "Aid-givers should remove regulations which limit or prevent contributions to the local costs of projects, and make a greater effort to encourage local procurement wherever economically justified." (Ch. 9, Rec. 10, p. 190)
18. "Aid-givers should adapt the forms of aid to the needs and level of development of the receiving country and recognize the great value, in many cases, of more program aid.

"IDA should undertake program lending wherever appropriate, seeking, if necessary, statutory change to make this possible." (Ch. 9, Recs. 11 and 12, p. 190)
19. "Multilateral and bilateral technical assistance should be more closely integrated with capital assistance." (Ch. 9, Rec. 14, p. 190)

20. "Donors should give financial assistance for local recurring expenditures and for equipment, transport, and other supplies in connection with technical assistance projects." (Ch. 9, Rec. 17, p. 190)

21. "Loans for projects should include a greater component of technical assistance." (Ch. 9, Rec. 18, p. 190)

22. "International technical assistance should be strengthened by the creation of national and international corps of technical assistance personnel with adequate career opportunities." (Ch. 9, Rec. 19, p. 190)

23. "We . . . recommend that the World Bank, in consultation with the WHO, launch immediately a wide-ranging international program for the direction, coordination, and financing of research in the field of human reproduction and fertility control." (Ch. 10, text, p. 199)

24. "The World Bank Group, as well as the Regional Banks, should pay greater attention to problems of research and development in their country studies and should themselves identify needs for scientific and technological research." (Ch. 10, text, pp. 205-206)

25. "Bilateral and international agencies should press in aid negotiations for adequate analysis of population problems and of the bearing of these problems on development programs." (Ch. 10, Rec. 2, pp. 206-207)

26. "Greater resources for education should be made available for (a) research and experimentation with new techniques, including television and programmed learning; and (b) a systematic analysis of the entire learning process as it applies to developing countries." (Ch. 10, Rec. 7, p. 207)

27. "Regional or national laboratories and research institutes should be established to study techniques of natural resource utilization and to improve industrial product design and production techniques.

"Industrialized countries should assist in the establishment of international and regional centers for scientific and technological research in developing countries, designed to serve the community of developing countries and specializing in distinct fields of research and their application." (Ch. 10, Recs. 10 and 13, p. 207)

28. "The World Bank should continue to assume responsibility for country economic reports for major recipients and accept reporting responsibility where it is requested to do so by the new multilateral groupings recommended in Chapter 6. For some of the smaller countries, however, the Bank's responsibility for economic reporting might well be passed to regional banks as their capacity grows." (Ch. 11, text, p. 219)

29. "A procedure, already in use, to reduce the effective rate of Bank loans is the practice of 'blending' IDA and Bank loans available to the borrower, thus reducing the average rate on loans from the World Bank

Group as a whole. Sometimes a single project is financed by such a blend. We also suggest that the blending technique for single projects or programs be used more frequently." (Ch. 11, text, p. 222)

30. "The World Bank and the IMF, in countries where both operate, should adopt procedures for preparing unified country assessments and assuring consistent policy advice." (Ch. 11, Rec. 2, p. 230)

31. "The President of the World Bank should undertake a review of the need for organizational change in IDA as its functions increase." (Ch. 11, Rec. 5, p. 230)

32. "IDA should formulate explicit principles and criteria for the allocation of concessional development finance and seek in its policies to offset the larger inequities in aid distribution." (Ch. 11, Rec. 6, p. 230)

33. "The President of the World Bank should invite heads of appropriate organs of the U.N., pertinent multilateral agencies, and the regional development banks and coordinating bodies, to a conference to be held in 1970 to discuss the creation of improved machinery for coordination capable of relating aid and development policies to other relevant areas of foreign economic policy, moving toward standardized assessments of development performance, making clear, regular and reasonably authoritative estimates of aid requirements, and providing balanced and impartial reviews of donor aid policies and programs. Representatives of at least the major bilateral donors and appropriate representatives of developing countries should also participate in the conference." (Ch. 11, Rec. 7, p. 230)