

CONFIDENTIAL

FROM: The President

PROPOSED BANK/IDA POLICIES IN
THE FIELD OF EDUCATION

1. This memorandum sets forth the policies which I believe should govern Bank and IDA activities in the field of education. Because our experience in the education sector has been limited, these recommendations should be regarded as provisional, subject to review as we proceed.

A. General Considerations

2. Education is of central importance in the development process. The effectiveness and productivity of governmental administration, the industrial labor force, the commercial system and agriculture all depend upon the adequacy and appropriateness of educational facilities. For a few countries the most important need is an expansion of higher education, to develop more leaders for government, industry and commerce; some few others suffer from a system of primary education which is inadequate to lay a proper basis for the other parts of the country's educational plan. In most developing countries, however, the most urgent need is for (a) an expansion of vocational and technical education and training at various levels, including technical schools, agricultural schools and schools of commerce and business administration; and (b) an expansion of general secondary education, to provide middle-level manpower for government, industry, commerce and agriculture, more candidates for higher education and for specialized vocational training, and more teachers for the primary schools.

3. The case for Bank/IDA assistance rests on the following grounds:

(a) The education sector in general, with the exception in some countries of the primary and university levels which have political and prestige appeal, respectively, is often given a lower priority than it deserves in the allocation of scarce capital resources, largely because funds employed in that sector have their impact on production only over the long term. Given the Bank's reputation as a lender only for sound development projects and as an unbiased non-political development adviser, its identification of the critical importance of the education sector and its willingness to support that sector both through loans and technical assistance funds should result in substantially increased interest in, and resources for, education in the developing countries.

(b) It is important that the educational programs of the developing nations be formulated with the view to providing the trained manpower required for economic development purposes. These programs generally involve very substantial expenditures and, like other urgent development programs, they should be designed to achieve their objectives at as low a cost and with as little waste as possible. The Bank's experience both in development planning and in avoiding wasteful investment should enable it to help its members not only to relate and reconcile their educational and economic development objectives but also, over time, to minimize costs and maximize benefits from capital expenditures in the education field.

(c) UNESCO, the U.N. specialized agency primarily responsible for the promotion of education, has in the past been hampered by lack of available funds. Although its technical assistance program is substantial and valuable, it has thus far not been able to meet all the technical assistance needs or to back the advice of its experts with capital funds. The Bank and IDA, on the other hand, are intended and able to assist in meeting capital expenditures of substantial importance to development. UNESCO has repeatedly emphasized the importance of Bank/IDA activity in the education field, not only because of the immediate impact of their financing but also because the funds they make available enhance the effectiveness of the technical assistance provided by UNESCO itself and by other development assistance agencies.

B. Proposed Bank/IDA Lending (Credit) Policies

4. In the light of the foregoing general considerations, my provisional recommendations with respect to Bank/IDA financing in the education sector are as follows:

5. Types of Projects. The Bank and IDA should be prepared to consider financing a part of the capital requirements of priority education projects designed to produce, or to serve as a necessary step in producing, trained manpower of the kinds and in the numbers needed to forward economic development in the member country concerned. In applying this criterion, the Bank and IDA should concentrate their attention, at least at the present stage, on projects in the fields of (a) vocational and technical education and training at various levels, and (b) general secondary education. Other kinds of education projects would be considered only in exceptional cases.

6. Educational expenditures serve social and cultural, as well as economic, objectives. For purposes of determining whether the Bank/IDA should finance a given project in the education sector, however, I believe that only economic factors should be taken into consideration.

7. Types of Expenditures. I believe that normal Bank/IDA policies with respect to the types of expenditures to be financed should be generally applicable to our financing of education projects. Thus, normally only a portion of capital expenditures, i.e., school buildings and equipment, would be financed. However, where operating expenditures of an extraordinary character are necessary for a limited period to launch a project (for example, the employment for a few years of expatriate teachers at the start of a new program, to get it under way and to train local teachers to carry it on), it might in some cases be appropriate to regard those expenditures as an integral part of the project and therefore to include them within the scope of a loan or credit.^{1/} On the other hand, in my judgment Bank/IDA financing should not normally extend to those capital expenditures in the education field which are of a recurrent character and therefore in many respects comparable to current costs, such as funds for the "normal" annual expansion of school facilities required for a constantly growing school-age population.

8. The financing of projects in the education sector calls to a considerable extent for the expenditure of local currency rather than of foreign exchange. If we are to be an effective agent in that sector, I believe we will have to follow a liberal policy with respect to financing local currency expenditures in connection with education projects.

9. Relationship with UNESCO. I propose that we should normally regard UNESCO as in effect our technical arm in the education sector, not only in connection with the identification of projects, but also in connection with their preparation, appraisal and end-use supervision. Under this approach, the Bank/IDA would normally confine its own study of the technical aspects of the project to a review of the report of the UNESCO experts sufficient to assure that all relevant issues had been considered and that the approach taken and judgments reached are reasonable. The decision whether to finance a given project, and on what terms, would remain ours and we would, of course, negotiate the loan or credit and control the disbursement of funds. The details of this proposed relationship would have to be worked out in practice. I have informally and tentatively discussed this approach with the Director General of UNESCO, and his preliminary reaction was favorable.

10. There may be instances in which it would be appropriate to rely, in place of UNESCO, on some other technically qualified body because of its particular competence in a specialized field or its previous association with the particular education project in question. This might be another international organization--for example, ILO in the case of vocational training (as distinct from vocational education), or FAO where agricultural education is involved--or it might be some national entity, public or private, including universities and foundations.

C. Proposed Bank Technical Assistance Activities

11. The Bank's experience demonstrates the desirability, and in many cases the necessity, of combining the provision of technical advice and assistance with the provision of capital funds. Technical assistance is no less urgently needed in the field of education than in most other areas of economic development. As a matter of basic policy, however, we have in the past generally agreed to provide or to help meet the cost of technical assistance only where it seemed likely to facilitate Bank/IDA financing or where there was some other persuasive reason, related either to the special experience or competence of the Bank's staff or to the Bank's character as a financing institution, for the Bank to act. We should, I think, follow a similar policy in the education field.

12. As among the international agencies, the major responsibility for providing technical assistance in the education sector rests with UNESCO. We should, therefore, avoid responding to any request for technical assistance which UNESCO (or some other qualified agency) is able and willing to handle. There are likely to be cases, however, which neither UNESCO nor any other qualified agency can handle with its own resources and in which technical assistance from the Bank (normally in the form of financing UNESCO or other outside experts) would be appropriate, because the assistance sought is for, or is related to, a project being financed by the Bank or IDA or is designed to

facilitate such financing. For example, by analogy to what we do in other fields, I believe that we should be prepared to help finance studies designed to work up projects in the field of education where the projects are likely to be appropriate for Bank/IDA financing. Again, by analogy to what we do in other fields, we should be prepared to make technical assistance funds available to help in drawing up a national or regional educational investment program in situations where Bank/IDA financing appears to be feasible and desirable. Similarly, if an education project presented to the Bank/IDA for financing appears to be unduly costly because of poor architectural design or poor construction methods, and if UNESCO or another qualified agency is unable or unwilling to help to remedy these deficiencies, the Bank should be prepared to arrange for the necessary technical assistance. Where the impact of the assistance is confined to a specific project proposed for Bank/IDA financing, it may be appropriate to include its cost within the scope of the loan or credit. In other cases, particularly where the impact is more general, it may be more appropriate to include the cost as part of our technical assistance program.

13. Under the principles suggested above, the Bank would rely heavily on UNESCO personnel and experience and accordingly would not have to build up a large staff of technical experts of its own. What is necessary, I believe, is a fusion of the specialized technical competence of UNESCO or other outside experts or institutions with the Bank's own expertise in the organization and financing of major development projects.

D. Possible Grants

14. As the Executive Directors are aware, Dr. Harvie Branscomb, a distinguished American educator, served last winter as a Consultant to the President on educational policy. Dr. Branscomb's principal recommendations concerned the desirability of an extension of the Bank's technical assistance activities in the education sector. In addition, at my request Dr. Branscomb formulated a proposal as to what might be included within an optimum program of education grants by the Bank (not including its technical assistance activities) in the amount of \$10 million per year. The program which he drew up concentrated on grants (a) to improve the teaching of introductory science and technology in secondary schools, (b) to assist in establishing pilot schools or special programs for training individuals in agriculture on the subprofessional level, (c) to support key schools of business management, and (d) to finance special projects of particular interest to the Bank, such as the International Institute for Educational Planning. It was my conclusion (as reported to the Executive Directors in FPC 63-8) that the over-all impact of such a program would not justify the heavy administrative burden and the change in the character and image of the Bank which the program would involve.

15. A grant program of this kind would carry us into the field now occupied by a number of substantial foundations. This would not be an important consideration were the program designed to make a major addition to the educational support now available. However, any such program would necessarily have to be limited in size, particularly in relation to prospective Bank/IDA financing. At the same time, announcement of such a program would undoubtedly

provoke a flood of applications. To sift through these would be very time-consuming and would require considerable numbers of staff of high technical competence. Not only would such an investment of manpower inevitably divert the Bank's attention from its primary concerns, but it would, I believe, be out of proportion to the financial resources we would be providing and to the developmental benefits which might be expected to follow. The Bank/IDA interest in education would be demonstrated, and very substantial aid would be provided, if the policies recommended earlier in this paper are adopted. I can find no persuasive reason to supplement this support through a grant program.

16. This conclusion should not be construed to preclude the possibility of grants in exceptional cases. As stated in paragraph 20 of FPC 63-8, I believe that there may occasionally be individual projects for which, for special and persuasive reasons, a Bank grant would be justified. The International Institute for Educational Planning is one such project, and there may well be others. These would, however, be treated on an ad hoc basis, rather than as components of a preconceived program of educational grants.

October 31, 1963