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# OFFICE MEMORANDUM

DATE: September 28, 1992

TO: Mr. Sven Sandstrom, EXC

FROM: V. Rajagopalan, OSP

EXTENSION: 33419



SUBJECT: Paper for Board Seminar on Lending for Human Development

1. Please find attached a paper on Bank lending for human development. The paper is scheduled for discussion at a Board seminar on October 20, 1992.
2. This paper was prepared as a consequence of discussion by the Board of an issues paper: *Human Resource Development in Developing Countries* on September 10, 1991, prior to its presentation to the Development Committee in October. At that time, the Board expressed interest in knowing more about the Bank's experience in human resource development and possible implications for the future.
3. I chaired a vice-presidential review meeting of this paper on September 10, 1992. The present version reflects comments offered at this meeting, which focused in particular on the treatment of sectoral staffing issues and recurrent cost financing.

#### Attachment

cc: Messrs. S.S. Husain (LACVP), E.V.K. Jaycox (AFRVP),  
G. Kaji (EAPVP), C. Koch-Weser (MNAVVP), L. Summers (DECVP),  
W. Thalwitz (ECAVP), D.J. Wood (SASVP)

Ms. J. Armitage, EXC



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**JUN 30 2021**

**WBG ARCHIVES**

# **LENDING FOR HUMAN DEVELOPMENT:**

## **Progress and Challenges**

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## LENDING FOR HUMAN DEVELOPMENT: Progress and Challenges

### EXECUTIVE SUMMARY

i. Concern with human development -- defined in the Bank as education training, health, nutrition, population, employment, and the socio-economic role of women -- increasingly permeates all aspects of development thinking. This is reflected, inter alia, in recent World Development Reports and UNDP Human Development Reports. As a result, the Bank's lending for human development has increased dramatically in recent years, a process facilitated by the organizational changes introduced in 1987. Annual lending for these sectors increased from \$635 million in FY80-82 to over \$3 billion in FY90-92, and is projected to reach over \$5 billion in FY93-95.

ii. At the same time, new areas of lending -- such as women in development, labor markets and employment, and the health of adults, and scientific and technological development -- have begun to emerge, and the nature of lending operations has begun to shift from project-specific activities to support for sectoral policy reforms. These changes are reinforced by the better integration of human development issues in country assistance strategies, which has led in turn to stronger linkages with analysis of macro-economic issues and strengthened research and policy work.

iii. The rapid increase in the volume of lending and the evolution of lending objectives have brought to the fore several issues that need to be addressed urgently. Prominent among these are quality issues. Projects have not typically defined their objectives in terms of

development outcomes, nor established related indicators by which to measure success. Measuring quality in the social sectors is arguably more difficult than doing so in sectors for which economic rates of return are calculated, but that simply underscores the need for more effort in this area in the future. Equally critical is the need to strengthen and operationalize the knowledge base on management and institutional development issues. The development impact of the expanded Bank lending will depend largely on its effectiveness in strengthening borrower capacity for policy management and service delivery. In addition, the evolution of operational practices needs to be reinforced through the increased use of sectoral lending instruments and improved approaches to sectoral financing. The critical issues in human development are systemic; sectoral reform cannot be addressed through individual investments alone. Finally, special efforts will be needed to maintain professional excellence in staffing. The recruitment of new staff and the opening up of areas of lending unfamiliar to existing staff call for sustained efforts in staff development.

iv. In spite of these challenges, the lessons of experience demonstrate that success is within reach even in low-income countries. With a well-designed lending program grounded in a sound sectoral framework, based on analysis of key economic, technical, and institutional issues in the sector, progress in human development can be sustained.



## I. INTRODUCTION: THE CHALLENGE

1. Bank support for human development has undergone remarkable changes since its inception in the 1960s. Originally focussing narrowly on the development of human capital for specific occupational requirements, it has become, in recent years, a central pillar of the Bank's development assistance strategy. Investment in people is now seen as critical to spurring economic growth, reducing poverty, and achieving technological progress. Concerns about education, health, nutrition, training and employment, population, and the socio-economic role of women increasingly permeate all aspects of development and the Bank's institutional priorities. Combined, they constitute the elements of **human development**.

2. The Bank's support of human development is not limited to work directly within the purview of Population and Human Resources (PHR) divisions. For example, access to safe drinking water affects health. Issues of women and development, poverty, and employment go beyond the PHR sectors. Many nutrition operations take place in the context of work on food security and agriculture sector adjustment. Projects outside the PHR sector often include important training components. This paper, however, focuses on Bank support for human development through the PHR sectors.

3. The key role of human development for economic and social progress has been highlighted consistently in recent WDRs. The 1990 report, focusing on poverty alleviation strategies, concluded: "Improvements in health, education, and nutrition directly address the worst consequences of being poor. But there is ample evidence that investing in human capital, especially in education, also attacks some of the

most important causes of poverty" (p.74). Reviewing the lessons of 40 years of development experience, the 1991 WDR concludes: "Investing in people, if done right, provides the firmest foundation for lasting development" (p.4). It goes on to argue that productivity, the engine of development, is driven by technological progress, which in turn is influenced by human capital. Stressing the links between poverty, population growth, and environmental degradation, the 1992 WDR says, "The only lasting solution to the diverse problems caused by rapid population growth lies in policies that will improve human skills, increase productivity, and so raise incomes. Improving education for girls may be the most important long-term environmental policy in Africa and in other parts of the developing world" (p.8). The 1993 WDR will complement these three reports by focusing on health issues related to development.

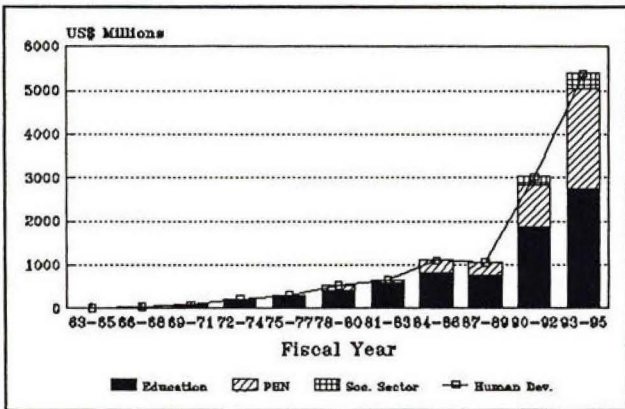
4. Investments in human resources are at the heart of the Bank's development assistance strategy in the 1990s. They address the objectives of poverty reduction, through intensified support of effective primary-level services, and lay the foundation for private sector development through investments in human capital and transfer of scientific and technological knowledge and practice. They also are essential to enhancing the contribution of women to development and building national capacity to design and implement sound environmental policies.

5. Supported by a growing awareness world-wide of the centrality of human capital to successful development, and facilitated by the 1987 reorganization, World Bank Group lending for human development increased from

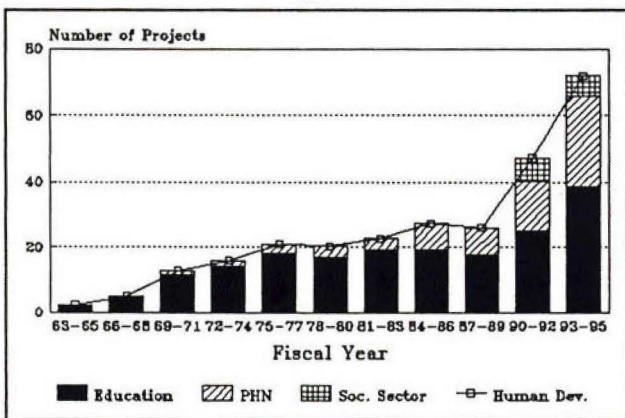


an average of \$1.1 billion per year in FY87-89 to \$3 billion in FY90-92 (Figure 1 and Annex Table I). For the same years, the average number of projects increased from 26 to 45 (Figure 2 and Annex Table I).

**Figure 1: Average Annual World Bank Lending for Human Development**



**Figure 2: Average Annual Number of World Bank Human Development Projects**



6. Even as lending volume expanded, lending objectives for human capital development broadened beyond the initial focus on the provision of physical infrastructure for schools, clinics, and training centers, through the financing of specific investment projects. Today, the Bank's lending program is multifaceted and includes lending for a full range of education, population, health, and nutrition services, as well as support for policies to enhance the role of women in development, "social safety net" programs, and employment services. In addition, many recent operations have moved from the financing of specific investments, to support for sectoral or subsectoral programs of adjustment, reform, and development.

7. The operational challenge now is to maintain the momentum attained over the past five years while improving the quality of the Bank's activities to ensure that the greater level of support is provided and used effectively and with the maximum development impact. Toward this end, this paper reviews the Bank's progress since 1987 in strengthening its ability to assist countries to design and implement sustainable programs for investing in people. It examines the Bank's effectiveness in supporting human development, and it charts future directions for further improvements. The paper summarizes the evolution of Bank lending in the social sectors (Part II); reviews how the Bank has translated its heightened institutional commitment to human development into lending and policy advice (Part III); highlights lessons learned to date (Part IV); and suggests the main directions for further evolution of operational practice in the PHR sector (Part V).



## II. LAYING THE FOUNDATION: 1963-1986

8. The Bank did not recognize human development as an appropriate investment objective until the early 1960s. Lending started with education in 1963, based on a narrow skills-for-productivity rationale. This resulted in heavy emphasis on support for the expansion of physical facilities, especially for vocational and technical training. Lending procedures were deliberately designed to mirror those of specific investment projects in the infrastructure sectors which dominated Bank lending at that time. Driven by concerns for equity and basic needs, the lending objectives and composition of Bank support for human development gradually broadened during the 1970s. Lending for population began in 1970, for nutrition in 1977, and for health, beyond population and nutrition, in 1980.

9. By the mid-1980s, the Bank had developed a broad capacity for analytical work and project design in human development. Successful operations in several countries, especially those where a sustained commitment over many years led to a series of operations based on sound analytical work, demonstrated that the Bank could be an effective source of analytical and financial support in this area (Box 1). Nonetheless, lending for human development remained a relatively modest element of the Bank's total lending operations, totaling \$1.26 billion, or less than 8% of total Bank lending, in FY86.

10. The early lending focus on the implementation of specific investments often resulted in weak links with country assistance strategies, especially in the population, health, and nutrition (PHN) sectors, which were

### Box 1: Bank Lending for Human Development in Indonesia

Since independence, human development has been a central priority in Indonesia's development strategy. The Bank has been its principal partner in the design and implementation of investments in the sector. Since then, 16 education projects totaling \$1.16 billion have been completed. In addition, 10 free-standing projects for training in specialist fields totaling about \$700 million have been supported. Over time, the Bank's strategy in education evolved from assistance for training to alleviate a critical shortage of technical personnel to emphasis on quality issues, then to broader investment programs and policy reforms for the education sector. Similarly, lending for population (\$222.7 million for five population projects since 1972) and health and nutrition (\$155.9 million for five projects) evolved from an emphasis on infrastructure and providing commodities (as part of basic services nationwide) to improving the quality and effectiveness of service delivery and utilization. Recent operations are increasingly oriented to sector-wide policy reforms, health skills training, building institutional capacity, and specific PHN problems.

centralized in the Operational Policy Staff (OPS) vice-presidency. The organizational separation of units on education, PHN, and WID virtually precluded the formulation of coordinated human development strategies as an integral part of country assistance strategies. This hampered the ability of the Bank to deal effectively with the social impact of adjustment programs, and to design coherent strategies for poverty alleviation and technological capacity-building.



### III. BUILDING A SECTORAL APPROACH: 1987-1992

11. With intellectual interest in human development already growing rapidly, the Bank's 1987 reorganization addressed a number of institutional issues by raising the visibility and centrality of the subject in the country dialogue, and providing a framework within which the complementarities and synergies among different investments could be more effectively exploited. It did this by integrating operational responsibility for all human development programs in a single division in each Country Department, supported by a division in each Regional Technical Department, and by concentrating research and policy work in a single department in the PRE complex.

12. Thus, by 1987, the circumstances existed for rapid evolution of the Bank's role in the sector, through (i) integrating human development in country assistance strategies; (ii) expanding the lending program; (iii) broadening lending objectives; (iv) increasing the use of diverse lending instruments; (v) strengthening quality and operational focus of research and policy analyses on human development; and (vi) collaborating with a broad range of partners in program design and implementation. These changes have also resulted in greatly increased demands on Bank staff.

#### 3.1 Integrated Country Assistance Strategies

13. Concentrating operational responsibility in a single PHR division for each country department has yielded several benefits: clearer focus on country-specific constraints and opportunities, stronger linkages between macro strategy and sectoral strategy, and opportunities

to exploit complementarities between the various elements of human development.

#### *Country Focus*

14. The intensified country focus permits better analysis and appreciation of the circumstances facing each country, and an awareness of the complexities and implications of government actions. For example, reforms designed to increase the efficiency of public expenditures or to target subsidies on poor and disadvantaged groups are often controversial, requiring careful choice and sequencing of interventions in order to maintain political support as public spending shifts to primary services and that on tertiary services for the relatively well-off is constrained.

15. Human development strategies are by their nature highly country-specific. Policy reforms and innovation cannot be transferred wholesale from one country to another. Lessons of experience must always be adapted to the country context (Box 2). As a review of education sector work in FY91 indicates, many Bank sector reports provide well-argued, country-specific recommendations based on analyses of local conditions, often drawing on the work of local researchers. Increasingly, operations are emphasizing development of national research capacity to support country-level analysis and to inform programs of policy reform.

#### *Links to Economic Policy*

16. Now treated as an integral part of the country assistance strategy, human development's linkages with the country economic framework have tightened in many



**Box 2: China Provincial Education and Planning: Comprehensive, Original Analysis**

The FY91 China Provincial Education and Planning report, an outstanding example of sector work, draws extensively on planning and data analyses by Chinese institutions, stimulating participation and commitment to the process. The report reviews previous sector work in China, describes how current work builds on accumulated knowledge, and provides comprehensive background data, showing changes over time and trends.

Covering a wide range of issues, education data are analyzed and issues related to economic, political, and social variables. For example, cost and finance issues are analyzed in the context of fiscal policies, provincial economic conditions, ability of families to contribute to education, and cultural norms. Uniquely, the high percentage of primary school costs borne by families is calculated and reported. On this basis, it argues for reducing school and textbook fees for poor families.

Further, based on firm analysis, the government is urged to reconsider its policy on vocational education in light of results of the recent Bank policy paper on vocational education and training, cost projections, and in-country research regarding the external efficiency of such institutions.

Recommendations are backed by evidence and alternatives and provided, such as three scenarios for achieving universal primary education. Considerable effort is devoted to demonstrating the need to increase the salaries of rural teachers.

ways (Box 3). Typically, public expenditures in the social sectors, labor market policies, poverty reduction strategies, and population issues, for example, are key issues in Country Economic Memoranda and Strategy Papers.

**Box 3: Linking Human Development with the Macroeconomic Framework**

*Public Expenditure Reviews* permit a careful examination of the adequacy of human development financing. In Morocco, a review revealed that social expenditures as a percentage of GDP have gradually decreased over the past decade and that existing expenditures on education, health, and nutrition failed to reach the poorest. The study's recommendations were used to develop targeting mechanisms for subsequent human development loans and a structural adjustment loan (SAL).

SALs increasingly recognize the need to protect and strengthen human development. In Togo, the Fourth SAL included provision of adequate budgetary allocations to the health and education sectors, making approval of the budget shares to these sectors in FY91 and FY92 a condition for second and third tranche release. In Mexico, the Agricultural SAL II separates agriculture price goals from nutrition goals. It reallocates government expenditures on consumer food subsidy programs by eliminating generalized food subsidies and increasing spending for targeted food assistance, emphasizing rural poor families. Several operations are explicitly designed to help offset the effects of economic crisis on PHR services, such as Bolivia's Social Investment Fund and Jamaica's Social Sectors Development Project.

*Public enterprise restructuring* is also a nexus between macroeconomic work and human development. With the launching in FY90 of its Economic Transformation Program, Poland began the difficult transition from a centrally planned economy to one in which market forces and free enterprise dominate. The reforms are prompting millions of Poles to change jobs, as markets signal the need to shift labor from sectors, occupations, and regions where it is redundant, to productive uses elsewhere. A Bank loan is assisting the government to remove the labor constraints to economic restructuring, provide a social safety net for those displaced by restructuring, and develop employment policies and programs needed in a market economy.

Population and family planning activities have also reinforced human development efforts. Fertility decline in Indonesia was accelerated by family planning projects, making it easier for that country to improve access to health services and education and thus meet its growing demand for healthier, better trained workers. Bank-sponsored sectoral analyses in the Maghreb region focused the attention of policymakers on changing population structure and enabled them to plan public expenditures for social services more effectively.

17. In the face of **budget constraints** resulting from fiscal stabilization programs, the Bank has helped several countries to launch



sectoral adjustment programs to mitigate the potential adverse impact of economy-wide reform on human development. These programs typically are designed to diversify the resource base of the sector by mobilizing private funding and using resources that are already available more efficiently. Increasingly, the Bank assists countries with the identification of core public expenditures in order to protect priority education and PHN services from budget cuts.

18. **Labor market policies**, which link the education sector with the macroeconomy, are increasingly important elements of the economic policy framework. The number of lending operations designed to support labor market flexibility, labor information systems, and demand-driven training systems is growing rapidly. The problem of labor retrenchment due to public enterprise restructuring is receiving increased attention, especially in Eastern Europe and Latin America.

19. In efforts to **reduce poverty** as part of a country assistance strategy, human development programs usually have a central role, primarily to ensure the access of poor people to basic services and to promote the productive use of their labor. Social action programs, either as companions to structural adjustment or free-standing projects, are used to address cross-sectoral as well as sectoral issues. Country strategies, in turn, increasingly draw on regional studies, such as that on food security in Africa, which focused on the role of women as food producers and income-earners.

20. Rapid population growth, agricultural stagnation, and environmental depletion are mutually reinforcing and adversely affect prospects for economic growth. Excessive population growth also affects the macroeconomy in terms of income distribution, flexibility in resource allocation, and the ability to finance development. National development

strategies increasingly strive to incorporate population policies and take into account demographic factors.

### *Synergies*

21. Although the Bank has still much to learn about the synergies across health, education, nutrition, family planning, and WID programs, today it is well poised to exploit these underlying relationships. For instance, there are now better opportunities to (i) support interventions on both the supply and demand sides of the fertility equation (through family planning services on the one hand, and education and employment programs on the other); (ii) focus more effectively on complementary elements of child development such as nutrition, maternal and child health, education, household food security, and environmental health (Box 4); and (iii) link investments in human capacity and basic needs of the poor with measures to increase labor productivity and target safety nets.

### **3.2 Increased Lending**

22. Borrowers' demands led to a much-needed expansion of support for human development by the late 1980s. Lending for human development, climbed from 5.5% of total Bank lending in FY87-89 to 14.2% of Bank lending in FY90-92, when it averaged \$3 billion per year. The number of human development projects has also risen sharply from an average of 26 per year in FY87-89 to 45 in FY90-92. Three features stand out:

- The Bank's investment portfolio in human development is relatively young, with about 57% of lending (36% of projects) approved in the FY87-92 period; in PHN, 68% of lending and 53% of projects was approved in that period. Thus, a relatively small part of the portfolio has been completed and audited. Strengthening early feedback, for



**Box 4: Colombia Community-Based Child Care: A Synergistic Approach to Improving the Well-Being of Mothers and Children**

The Colombia Child Care and Nutrition Project supports a key part of the government's poverty reduction program by strengthening an ongoing program to create inexpensive, home-based child care facilities. Managed by the Colombian Institute for Family Welfare (ICBF), the program combines the feeding of pre-school children in low-income, urban neighborhoods with community-managed day care and learning activities in an effort to circumvent the low educational attainment commonly associated with poverty and poor health and nutrition status. Social workers identify clients, targeting the poorest neighborhoods. Thereafter, participation is based on self-selection. Groups of interested parents choose a "community mother" to care for up to 15 children in her home. ICBF provides initial training (in food handling, child feeding, and growth monitoring), educational materials, modest stipends to community mothers, and nutrition supplements. It also arranges loans to enable community mothers to upgrade their homes to minimum standards for the provision of day care. The program is managed by parents' associations, which also make a small financial contribution to operating costs. After a trial period, the program was launched on a large scale in 1987; by mid-1989 it was serving 500,000 of the country's poorest pre-school children. This number is expected to double in the near term.

example, through the Annual Review of Lending and General Operational Reviews, is therefore particularly important.

- Education no longer dominates the sector. PHN lending will grow at a faster rate than education in FY93-95; the annual volume of each is expected to fluctuate between \$2 billion and \$3 billion in FY93-95.
- Integrated social sector projects specifically designed to protect the poor during

**Box 5: Honduras Social Investment Fund**

The Bolivia Emergency Social Fund was created to help protect the poor during implementing of a macroeconomic stabilization and adjustment program begun in 1985. It is designed as a quick-disbursing mechanism for financing small, technically simple projects formulated and carried out by a variety of public, private and voluntary agencies. In appraising the projects the Fund focuses on two criteria: (a) the potential benefits of the project for the poor; and (b) the technical soundness of the project. Technical supervision is provided to implementing agencies to carry out projects in a wide variety of fields, including social infrastructure, economic infrastructure, cooperative and small credit programs, and social services in health, nutrition and education.

By financing labor-intensive social infrastructure projects, the Honduras Social Investment Fund also aims at generating employment for those unemployed due to adjustment and for the persistently poor. Designed to protect living standards of marginal groups in economic crisis and improve the delivery of social services, subprojects address a broad spectrum of health, nutrition, and education services -- in-school breakfasts, training of midwives and health workers, and materials and supplies for primary schools. A pilot nutrition assistance program enables the government to test targeting mechanisms, logistics, and distribution channels for food coupons. The coupons provide a 30% caloric and protein supplement to participating mothers and children. A program to restructure social sectors is expected to improve delivery of services and develop a monitoring and evaluation system.

periods of economic adjustment are new. Many such projects are designed as social investment funds; they support a range of education and training services and health and nutrition interventions targeted at the poor, and bolster the capacity of governments to monitor impact at the household level (Box 5).



### 3.3 Broader Lending Objectives

23. In tandem with the expanded volume of lending, lending objectives evolved -- from a relatively narrow emphasis on physical infrastructure to sector-wide and policy-based strategies. This evolution was driven by the need to address the social consequences of the macroeconomic crisis in many countries in the 1980s, and by the accumulating evidence that a coherent and effective framework for social policy is essential to sustain economic progress. Intensified support for basic services to reduce poverty, and focus on building experience in new areas of lending have resulted.

#### *Increased Support for Basic Services*

24. Foremost, the focus of education lending has shifted toward basic education, and support for nutrition and health services, including family planning, has increased sharply. Lending for primary education has tripled since FY89, and the average number of projects per year has nearly doubled. Since the first primary education project in FY70, there have been 115 such projects through FY88, an average of six per year, compared to 44 such projects during FY89-92, an average of 11 per year. Almost all of the recent operations aim at broadly enhancing learning achievement and focus explicitly on improvements in the quality of instruction, provision of learning opportunities for disadvantaged groups, including girls, and most recently, early childhood development. Project design has in many instances been influenced by the FY90 Primary Education Policy Paper and the recommendations of the 1990 World Conference on Education For All sponsored by UNDP, UNESCO, UNICEF, and The World Bank.

25. Bank lending for health has tripled since FY86. While maintaining a central focus on primary health care, lending operations in recent years have increasingly emphasized

strengthening capacity for formulating health policy, program planning, and management. Greater attention is also being given to women's health and its impact on the health and welfare of families, to selected priority diseases, and to the financing of the health sector, including investments in hospitals. For example, health projects are increasingly being designed to emphasize safe motherhood in view of the high maternal mortality which persists in many countries, but is preventable by improved prenatal and delivery care as well as family planning. While in FY86, there were only nine projects with safe motherhood components. By the end of FY92, there were 70 such projects under implementation. PHR work on disease priorities has helped to shift the focus of assistance toward health intervention with the greatest cost-effectiveness.

26. Lending for nutrition through PHN projects has increased from an average of \$27 million in FY84-87 to \$56.5 million in FY92. In addition, 43% of the structural adjustment loans approved in FY91 included nutrition components or conditions to protect the nutritional status of the poor, and several agriculture sector projects include nutrition components. The new generation of nutrition projects are often designed in the context of overall poverty reduction strategies. They emphasize the provision of nutrition services, targeted to reach the poor and children under three years of age and their mothers. Projects generally support behavioral change in nutrition practices through social marketing techniques, address household food security needs through women's income-generating schemes, for example, and help to provide micronutrients. Institutional strengthening and careful evaluation of impact are common features.

27. The widening context for population activities since they began in 1970 -- integration with health and nutrition in 1980, and with other social sector operations since



#### Box 6: Population Activities in Africa

Population growth is yet to peak in sub-Saharan Africa, where despite the onslaught of AIDS, increases are expected into the next century. Many countries are taking action to meet and stimulate demand for child spacing and limiting family size. Several countries have adopted national population policies, and others have stated their intention to do so. The Bank has joined other agencies in supporting the "Agenda for Action to Improve the Implementation of Population Programs in Sub-Saharan Africa in the 1990s" (the African Agenda), guided by a Policy Advisory Committee of African population specialists and policymakers. It is designed as a participatory process to ensure commitment to population and family planning programs at all levels. Multi-disciplinary country teams -- already active in Burkina Faso, Ghana, Kenya, Nigeria, and Senegal -- will eventually be formed in over 20 countries to obtain the views of beneficiaries, implementors, and policymakers and help bridge gaps among them. Communities are then expected to set up small local projects to address population and development concerns in an integrated way.

The African Agenda is a collaborative effort by UNFPA, IPPF, and the World Bank, with the support of WHO and the African Development Bank and additional funding from the Netherlands and Norway.

1987 -- has been associated at each stage with considerable expansion in volume of lending and number of projects. In the 1970s, lending for 19 projects averaged \$30 million a year; from FY80 to FY87, lending for 31 projects averaged \$50 million; during FY88-FY92, 34 projects provided average yearly lending of \$164.4 million. Especially noteworthy is the expansion of population lending in Africa following efforts by the Bank and other donors to support countries through an "Agenda for Action to Improve the Implementation of Population Programs" (Box 6).

28. A recent OED review of Bank population lending and a PHR "best practice" paper on family planning provide the empirical underpinnings for the design of effective population projects. They emphasize the need (i) to raise quality of service and thereby increase demand; (ii) to increase access to family planning services, especially for those who, by reason of poverty or geography are hard to reach; (iii) to mobilize private resources to help in service provision; (iv) to coordinate fully with other donor agencies and local institutions, in order to leverage the Bank's support with grant assistance, and to build country commitment and infrastructure; and (v) to strengthen program management and technical capacity.

#### *New Emphasis on Poverty Reduction*

29. The stresses of economic stabilization and structural adjustment may constrain the already-meager income-earning opportunities of the poor and their access to basic services. The Bank has responded in several ways. Increasingly, structural adjustment loans (SALs) address social policy issues or set the stage for preparing human development strategy and sectoral adjustment operations (SECALs). Many such operations specify allocations, or rates of growth of public spending, for education and PHN, and increased operating budgets for basic materials. Also, much of the increased lending for education, health, and nutrition is targeted at populations most at risk -- the poor, women, and children (Box 7). Nutrition operations, for instance, demonstrate that improved nutrition can reduce the primary effects of poverty, even in the absence of economic growth. And in several countries, mostly in Africa and Latin America, social investment funds (SIFs) have been established with Bank support to assist small, locally-managed human development projects. These operations are designed specifically to counter the temporary, adverse social effects of



**Box 7: Targeting Education Interventions:  
Brazil Innovations in Basic Education Project**

Targeted at children of poor and migrant families in greater Sao Paulo, the Brazil Innovations in Basic Education Project supports health, nutrition, and education interventions to improve primary school learning and retention and pre-school enrollment. About 49% of proposed classrooms are in school districts where more than half of households live in poverty (i.e., earn less than two minimum salaries), and 90% of new classrooms in districts where more than 40% of households live in poverty. The construction program is based on availability of land, with poorest districts being served first. The pre-school component provides a package of nutrition and health actions -- in-school feeding, health screening, immunizations, and micronutrient supplementation -- to enhance educational inputs. Through school location and means testing, the program is targeted to families earning less than three minimum salaries. Program funds are available to municipalities which:

- develop a six-year program for pre-school expansion in the neediest neighborhoods;
- are consistent with recommended guidelines on student-teacher ratios, use of books and materials, teacher training, and space requirements;
- form a partnership with NGOs judged to be managerially and technically competent;
- demonstrate capacity to sustain recurrent costs of expansion; and
- demonstrate capacity to administer the program.

In this way, the project is expected to reach about 350,000 children from the poorest families in urban Brazil.

economic reform. Recently, they have increasingly supported more of the longer-term interventions designed to reduce chronic poverty. They do not, however, substitute for more far-reaching restructuring of social sector (and other) expenditures in support of poverty reduction and growth. In fact, there is a risk

that they divert attention away from strengthening the institutions and basic programs in sectoral ministries and thus contribute to delay of essential sector or policy reform. Another risk is that they may result in setting up safety net programs that are not fiscally sustainable. These trends are being monitored carefully with a view to taking remedial actions when necessary.

*Emergence of New Lending Emphases*

30. The sharpened country focus has increased the Bank's attention to sector work and lending in several previously neglected areas. Recognition of the critical role of **women in development** led to the expansion of the office of the adviser on WID into a full fledged WID Division in 1987, to provide analytical and project design support to operational divisions. This has had a major impact: by FY91, three quarters of human development projects included actions targeted specifically for women. **Adult health** is becoming more important in the lending program, as populations age and epidemiological and health problems evolve in many borrower countries. The disease burden is still largely composed of infectious and parasitic diseases mainly affecting children, but is expanding to include non-communicable diseases (e.g., cardiovascular diseases and cancers) which mainly affect adults. The emergence of the AIDS pandemic reinforces this emphasis on adult health. In addition, **labor market and employment** issues are receiving increased attention; in FY91-92, six projects were designed exclusively to support labor market reforms and six others included significant employment and labor market components. Finally, the strengthening of national capacity for **scientific research and technology development (S&T)** is rapidly emerging as an important area of lending. The number of projects which provide support for S&T programs increased to five in FY90, six in



FY91 and to nine in FY92. Universities, in particular, have a special role to play in building national capacity to address S&T issues by multiplying professional skills, generating new knowledge, and creating the base of understanding on which technological change and innovation can be mounted.

### **3.4 More Diverse Lending Instruments**

31. In response to the increasingly diverse and changing needs of borrowers, the Bank has used five main instruments to finance human development programs: the traditional specific investment loans (SILs) and more recently, sector investment loans (SECILs), social investment funds (SIFs), sector adjustment loans (SECALs), and hybrids, which combine features of adjustment and investment operations. The newer instruments are designed to support sectoral policy reforms, with SECALs and hybrids targeted specifically to countries that are implementing economic adjustment programs. Under SECILs, the responsibility for appraisal and supervision of specific subproject investments is transferred to the borrower. Such loans usually have strong strategic content, support part of a longer-term investment program, and provide funding through an intermediary organization which is largely responsible for project implementation. SIFs are a variation of sector investment loans. The projects supported by social investment funds often focus on locally managed small-scale interventions.

32. Although specific investment loans remain the dominant means of lending for human development, even in support of major policy reform, use of other lending instruments is growing. Of 212 operations approved during FY87-92, 34 were SECILs, 10 SIFs, seven SECALs, and two hybrids. Of these 53 operations, 41 were approved in FY90-92. Although lending for human development is increasingly policy-based overall, education

operations have used the new instruments most frequently. In PHN, all but five of the 68 operations approved during FY87-92 have been SILs.

### **3.5 Strengthened Research and Policy Work**

33. The larger, more diverse lending program is served by a strengthened and more operationally focused program of research and policy work. Work on cross-cutting issues of poverty reduction and women in development has been integrated in one Department (PHR) with traditional sectors of education, population, health, and nutrition. As a result, gender issues permeate research and policy work on education, PHN, and employment, and significant progress has been made in identifying guidelines and best practices related to female education, employment, safe motherhood, and women's health more broadly. Household-level work on living standards measurement studies (LSMS) has provided important new analytical tools for poverty-oriented, cross-sectoral analysis. LSMS-type methods are being applied in several countries in the Africa Region under the Social Dimensions of Adjustment (SDA) initiative, and in other regions through collaborative arrangements between PHR and regional staff.

34. The research and policy program has been explicitly designed to help the Bank improve operational practice by addressing gaps in knowledge about "what works", "with what benefits" and "at what cost"; disseminating knowledge about best practices; and fostering collegial exchange and a shared sense of purpose among staff dispersed throughout the Bank.

35. Major themes of current work are (i) measuring the outcomes of policy through work on methodologies for assessing learning achievement, analyzing disease control priorities, determining the impact of family



planning programs, and monitoring living standards data in selected countries; (ii) identifying "best practice" through the analysis of cost and the benefits across a range of investment options and policy interventions with respect to women's productivity and health, family planning and contraceptive use, micronutrient malnutrition, and different levels of education; (iii) developing strategies for sectoral finance and management through research on the relative role of the government in the education and health sectors and on methodologies for resource allocation and targeting of interventions; and (iv) assessing links between macro-economic and sectoral policy, especially the impact of economic policies on household income, and of labor market policies on employment and the efficient allocation of labor and the demand for trained manpower.

36. The aim of policy work in health and education is to provide analytical underpinnings for lending in new areas (Box 8) and the treatment of priority issues such as the relative role of the government and private providers in the social sectors, the efficiency of public provision of services and the management of services. This policy work draws upon the lessons of operational experience, especially as documented by OED, and from studies by the Bank and outside sources, and contributions of scholars and policy-makers from developing countries, often in policy seminars organized jointly with EDI. These extensive consultations have been critical in sharpening operational focus.

37. Several policy and "best practice" papers from this work program have been discussed by the Board: Primary Education (FY90), Vocational Training (FY91), and Family Planning (FY92). "Best practice" papers on women in development, micronutrients, and women's health, and policy papers on higher education and secondary education are

**Box 8: Linking Policy and Practice: Togo Technical Education and Vocational Training Project**

Drawing on many lessons and recommendations of the recent Bank policy paper on vocational education and training -- including the need for a demand driven training system, increased linkages to the private sector, and enhanced planning and monitoring -- the Togo Technical Education and Vocational Training Project helps to spearhead change from a socially oriented supply driven training system to a demand driven, employment oriented system responsive to the needs of the private sector.

The project supports development of planning and monitoring capacity within the Ministry of Technical Education and Vocational Training, allowing it to follow labor market trends and to launch, in cooperation with employers, a wide spectrum of National Training Fund. The project also finances the development of sector specific vocational training centers which, in collaboration with industry, professionalize the formal and informal training system by both increasing the practical content of technical training and strengthening the theoretical content of traditional apprenticeship programs.

expected in the future, as is a sector policy paper on education in FY95. The health sector will be reviewed in the 1993 WDR.

38. This research and policy work has enhanced the Bank's capacity to play a more active role in the international academic and aid communities and influence the international agenda on human development policy. In education in particular, the Bank is a leading source of international comparative research and policy analysis. For example, its findings influenced the agenda and the outcomes of the World Conference on Education for All, and the subsequent mobilization of international support for basic education development. The international health community has more diverse sources of policy advice, but the Bank



has established itself as a credible partner and a widely respected source of research and policy analysis on public health economics in the Third World. This allowed the Bank to play a key role, for example, in launching the Safe Motherhood Initiative.

### **3.6 Collaboration with New Partners**

39. Its evolving role in human development is precipitating changes in the way the Bank interacts with borrowers, NGOs, and the international aid community. Bank operations are now more likely to mobilize partnerships in support of human development, based on mutual recognition that provision of basic education, health, and nutrition services is made more effective by the involvement of beneficiaries in program design and management, by mobilizing private sector sources of funding for these services at a time when government budgets are severely constrained, and by the efficiencies to be gained from organizing national and donor resources around a country's own human development strategy.

40. The Bank is relying increasingly on national experts and borrower staff for sector work, project preparation, and implementation. The results are analyses and project designs that are more responsive to local needs and priorities and reflect the local commitment which is essential for successful implementation of difficult policy reforms (Box 9).

41. Extensive national involvement is especially crucial when Bank projects serve as a framework for coordinating support from several donors to a sector or sub-sector, particularly in projects that support the provision of basic services. Donor coordination has been most successful when orchestrated by country officials on the basis of a nationally developed plan of action (Box 10). Nearly half of the human development projects approved in

#### **Box 9: Nigeria National Population Project: Reliance on National Experts for Project and Sector Work**

Based on Nigeria's National Population Policy and prepared against a background of national debate on religious issues, regional balance, and women's rights, this project's objectives are to strengthen the institutional base for undertaking a large-scale, intersectoral National Population Programme (NPP), over the coming decades.

The project will establish a Population Activities Fund, a mechanism to fund and evaluate subprojects. Subprojects will be implemented by collaborating agencies such as federal, state and local government bodies, universities, NGOs, and the Nigerian Institute of Social and Economic Research. A small Population Activities Fund Agency will be developed to assist with the solicitation and preparation of additional subprojects, and to appraise, approve, and supervise them. Considerable reliance is being placed on local consultants, and to this end, the project will finance development of a roster of local consultants, further training of selected consultants, and the costs of deploying them for subproject preparation with collaborating agencies.

FY91-92 benefitted from co-financing, which amounted to more than \$1.2 billion (10.3 percent of project costs). The highest proportion of co-financing was for integrated social sector projects followed by PHN and education.

42. NGOs are playing an increasingly important role in implementation, most prominently in the PHN sectors (Box 11), and this is increasing in basic education projects. Following the Education For All Conference, for example, a group of NGOs -- with support from the Bank and other donors -- created a network to exchange information on their experience with the implementation of education projects.



**Box 10: Bangladesh: Donor Coordination in the Population and Health Sector**

The Bangladesh Fourth Population and Health Project is the largest population and health program supported by the Bank so far anywhere. The IDA-led Bangladesh Population and Health Consortium -- 13 external donors and three UN executing agencies (UNFPA, WHO, and UNICEF) -- is providing about \$500 million, and the government, \$165 million for a total of \$665 million.

During project formulation, strategy and sectoral priorities in population and health were sorted out in intensive discussion at government-donor workshops and a special conference.

In addition to strengthening the country's population program and family planning service delivery, the health care system will be oriented toward public health, including maternal health, to make basic services more accessible to the rural and urban poor. Specific objectives include: (i) reduced fertility levels through an increase in contraceptive prevalence to 50 percent; (ii) lower morbidity and mortality in children under 5; (iii) safer deliveries and reduced maternal mortality to 4.5 per 1,000 live births; (iv) reduced disability, morbidity and mortality from a range of common poverty-related diseases (e.g., tuberculosis and leprosy); and (v) improved nutritional status of women and children.

lending operations increased by 63% and lending volume by 201%, compared with a 32% increase in the number of positions and a 24% increase in the number of staff on board. At the beginning of FY93, the PHR sector had 359 positions, of which 324 were filled. Rapid growth in workload and the lag in filling vacant positions, reflecting the inevitable delays in identifying suitable candidates, have taken their toll. The 1989 Staff Attitude Survey found that sector staff reported a stress level far above the Bank average.

**Box 11: Ghana Second Health and Population Project: Support to NGOs in the Management and Delivery of PHN**

The government of Ghana has prepared a framework for intensified cooperation with about 300 NGOs that provide health, population and nutrition services to a large portion of the Ghanaian people. The project promotes the qualitative improvement, reform, and extension of coverage of the family planning and health services both of the Ministry of Health (MOH) and of leading NGOs. NGO participation is extensive. The National Catholic Secretariat (NCS) will be responsible for managing a component to equip and maintain district-level hospitals. MOH has invited a number of NGOs active in the health sector in Ghana to take leadership in managing primary health care services at the district level where the need exists. NCS and other capable NGOs will thus manage all the primary health care services of selected districts in Ghana.

Of the total IDA credit of \$27.0 million equivalent, \$4.0 million will be made available to NGOs as grants (of which \$0.8 to the National Catholic Secretariat, \$2.8 million to the Planned Parenthood Association of Ghana, \$0.3 million to other mission hospitals, and \$0.1 million to other family planning NGOs).

### **3.7. Increased Demands on Staff**

43. The expansion and diversification of the Bank's involvement in human development have not been without problems. These changes have imposed an increased burden on staff in terms of work load, professional support, and changing skill requirements. Specifically:

- The growth in number of staff has, inevitably, lagged behind the rapid growth in lending and workload. Over the period FY88-91, the number of PHR



- The gap in staffing has, to a large extent, been made up by the increased use of consultants. This raises the possibility that the Bank's experience is not adequately internalized in country dialogue and in the design of future operations.
- More policy-based lending, increased emphasis on institutional development, and the emergence of new areas of lending require staff with strong and up-to-date professional skills. Yet, more than a quarter of the staff currently on

board are new to the sector or to the Bank. Staff development is therefore a central priority for the sector.

- The dispersion of technical staff into some 31 sector divisions leaves many units without a "critical mass" of professional expertise, sometimes placing undue burden on lone specialists. This has made cross-fertilization and networking among specialists difficult.

These issues are being examined by the recently established Sector Staffing Group (paras. 79 and 82).

#### IV: LESSONS LEARNED

44. Although the portfolio of human development investments is relatively young, and the objectives and types of projects undertaken recently are significantly different from those of earlier years, lessons are emerging to guide the Bank in refining its assistance strategy in the 1990s. Most importantly, experience suggests that policies matter. A well-designed policy and institutional framework can provide wide access to basic human development services even in low-income countries. Without such a framework, increases in GNP alone often do not improve poor people's lives.

45. Experience further shows that project specific investment loans do not always yield the desired policy change, and that sectoral reform must be approached as more than the sum of individual investments. In addition, technical assistance, when deployed, has not always served to build borrower capacity for policy formulation and sector management.

46. Rather, Bank support has been most effective when based on (i) sector-wide

programs of reform and development; (ii) in-depth analysis of sectoral issues; (iii) building national capacity for program design and implementation; (iv) continuous attention to implementation; and (v) systematic monitoring of outcomes.

##### 4.1 Support for Sectoral Programs of Reform and Development

47. Lending practices, while evolving, are not always aligned with the demand for strategic support at the sectoral level. Specific investment loans still dominate lending, as widespread use of sectoral lending instruments (SECILs, SECALs, SIFs, and hybrids) has been constrained by two factors. First, these instruments are more difficult to design and implement, and call for substantial borrower capacity and for sustained inputs from experienced Bank task managers. Second, perhaps most importantly, adjustment loans are designed to be quick-disbursing, to respond to short-term balance of payments needs, whereas human development reforms typically mature over a much longer time-frame. SECALs may



therefore have only limited applicability in the social sectors. Participation in the financing of the total cost (investment and recurrent) of a time-slice of a sectoral development program through a SECIL or SIL will often be more appropriate.

48. Attempts to address these constraints through training and creative project design are accelerating the move toward sectoral lending approaches. These approaches differ significantly, however, across sectors and countries. Borrowers' analytical and managerial capacities to implement a sectoral approach to human development vary substantially as does the Bank's operational expertise in technical and economic analysis, institutional appraisal, and project design. The design of Bank-supported human development operations will reflect these country conditions and sectoral constraints.

#### **4.2 In-depth Analysis of Sectoral Policy Issues**

49. There is no substitute for good sector work as the basis for the design of lending operations. This is especially true as lending for human development becomes more policy-based. Policy-makers and managers in the social sectors are faced with the challenge of selecting performance goals for human development in accord with national objectives for social and economic policy, and identifying indicators to guide their attainment. Project objectives for Bank-supported PHR operations have typically focused on indicators of coverage such as enrollments or access to health and family planning services. Relatively few projects have specified objectives in terms of learning achievement, better health, or reduction in fertility. This has hampered the appraisal and evaluation of the cost-effectiveness of project components designed to improve the quality of service. Some recent projects, however, have tried to formulate targets on outcome (Box 12).

#### **Box 12: Measuring Program Outcomes**

Until recently, human development project rarely attempted to specify and measure outcomes. It is rapidly changing. The Egypt National Schistosomiasis Control Project, aims at reducing infection rates and averting 4600 deaths per year. It requires annual reports on: (i) input measures, including number of rural health units providing schistosomiasis control services; (ii) process indicators, including numbers of persons screened and numbers found positive according to six analytical categories; and (iii) outcome measures, including intensity of infection for a sample of patients at each health facility, and number of cases admitted to hospitals.

The Nigeria Primary Education Project proposes specific strategies for monitoring and evaluating major project components: the extent to which teachers use methodologies introduced in training; the number of textbooks available to pupils; the balance between expenditures on salaries and instructional materials; the quantity, quality, and timeliness of data analysis; and tests for selected grades in order to measure student achievement.

The India Family Welfare Project sets specific targets for increasing effective contraceptive use, decreasing crude birth and death rates, decreasing infant mortality, increasing average birth weight, increasing immunization rates, and improving ante natal care coverage. The project also specifies objectives with regard to the number of secondary, primary, and community health centers per thousand population.

50. Investment decisions in human development are strategic, and must be based on a range of indicators, including labor market data, cost and financing information, manpower requirements, epidemiological data, earnings profiles, and demand for services. Well-designed investment programs are typically based on broad analytical work, including:



- analysis of (sub)sectoral conditions, legal framework, institutional capacity, and policy options;
- assessment of public resource requirements and resource mobilization strategies in the context of public expenditure reviews;
- evaluation of the cost and benefits of particular investment options;
- understanding of private demand and the willingness and ability of households to seek and pay for services;
- review of the social policy framework, including assessment of how synergies among human development investments can be exploited;
- assessment of the private sector's role and potential contribution to the financing and provision of human development services; and
- recommendations for strategic action derived from an analysis of options based on national priorities, conditions, and international experience.

51. A recent review of education sector work compared the reports issued in FY91 with the findings of a similar study of FY85 reports. The technical quality of analyses had improved considerably, particularly in areas where the Bank has undertaken policy work and is well-versed, i.e., access, efficiency, effectiveness of inputs, and finance. The review recommended strengthening analysis of the institutional and political feasibility of policy recommendations.

#### **4.3 National Capacity Building**

52. With the move toward sectoral and policy-based lending, the usual concern for good

#### **Box 13: Institutional Development in the Education Sector: Ethiopia**

Building institutions that effectively manage sectoral development is a process that requires attention sustained over a long period of time, often a decade or more. In the mid-1970s, the Ethiopian government committed itself to improving the quality, quantity, and relevance of education and training at all levels and to eradicating illiteracy. Great efforts were made to provide education equitably throughout the country, and communities were mobilized to assist in organizing, providing, and operating many aspects of education and training.

Success is partly attributable to a program of institutional development supported, in part, through a series of IDA education projects. Considerable investments, complemented by long-term technical assistance, were made in the development of institutions and procedures for effective management. The essential functions of the Ministry of Education were strengthened, including its inspectorate, research and curriculum development capacity, planning and statistics capability, project management office, materials production and dissemination agency, and school construction and maintenance service. A Professional Training Center was set up for training all staff in the education sector. Under a program of decentralization, decision-making authority and management responsibilities were transferred to regional education offices, regional teacher training institutes, district pedagogical centers, and community associations. It is noteworthy that administrative costs as a proportion of total budgets remained relatively low.

project management has broadened. Concern about institution-building and developing skills in the design and management of national programs has intensified (Box 13). In many countries, the public sector will continue to provide human development services, which entails a need for technical support and supervision to large numbers of service



providers in widely dispersed locations. Administrative systems, often inefficient, need strengthening in three areas: (i) policy development, regulation, and monitoring by central ministries; (ii) policy and project implementation at the local level; and (iii) systematic, two-way information flows between the local, intermediate, and central levels. A pilot project in Algeria, approved in FY91, addresses such needs in support of health sector reform through developing information systems, training key staff, and strengthening the capacity for strategic planning.

53. If human development investments are to be sustainable, building institutional capacity deserves at least as much attention as the transfer of resources. In fact, the effectiveness of the latter depends upon the former. With institutional development, responsibility for the preparation, appraisal, and supervision of specific investments can be shifted to borrower agencies, thus bolstering borrower commitment and "ownership" of Bank-supported operations and fostering development.

54. Evidence is mounting on the success of strategies that increase the participation of beneficiaries in the delivery of local services. The clustering of schools in managerial units with considerable autonomy is being piloted in Latin America and South Asia with promising results. Many operations are testing new ways to exploit the complementarities between the private (including NGOs) and the public sectors (Box 14). The involvement of parent-teacher associations in improving the quality of schooling has had a positive impact on projects in Chile and Mali, for example.

55. The importance for good management of a good information system based on reliable data, including locally disaggregated data by gender, is abundantly clear. Well-analyzed data on basic indicators, such as student performance and cost of instructional inputs by

**Box 14: Promoting Private Initiatives: Primary Education in Bangladesh**

Pressures resulting from rapid population growth, insufficient budgetary resources, and weak institutional capacity have prompted the government of Bangladesh to turn to the private sector for assistance in achieving primary education goals. NGOs in Bangladesh have a proven track record of resource mobilization and innovation in program quality and delivery.

The World Bank supports the strategy through the 1990 Bangladesh General Education Project. Funds are provided to experienced NGOs to implement non-formal primary education programs, and to less experienced NGOs to develop their capacity to design and implement education projects in the future.

One of the chief beneficiaries of Bank funds is the Bangladesh Rural Advancement Committee (BRAC). BRAC has a proven track record in non-formal basic education. Its program provides literacy and numeracy skills in a three-year period to the poorest rural children who remain unreached by the formal school system. The program effectively tailors education to local needs, mobilizes community participation, and trains thousands of local teachers. It has been particularly effective in increasing girls' participation. By 1991, BRAC was operating about 4,500 village schools, each managed by one teacher (usually female) serving up to 30 students. Nearly 70% of those enrolled are girls. About 95% of the students transfer at the end of the program to the fourth grade in government schools.

district, has helped policy-makers in Zimbabwe (Box 15) and Thailand, for example, make key resource allocation decisions.

#### **4.4 Implementation**

56. Well-formulated policy objectives and good technical design of a project will yield



**Box 15: Using School-Level Data to Direct Resources: Zimbabwe**

An FY91 sector study, *Zimbabwe A Review of Primary and Secondary Education: From Successful Expansion to Equity of Learning Achievements*, provides a model for using management information to target education resources. The study identifies the most poorly performing schools through multilevel analysis of student achievement data. It then analyzes the factors behind low achievement, and proposes strategies to enhance equity among schools.

Analysis of examination scores shows widely different rates of achievement across the five types of secondary schools in Zimbabwe, with high-fee-paying trust schools performing the best, district council schools performing the worst, and government and mission schools in between. The study also found significant differences in achievement and longevity in school by gender.

Analysis of data drawn from school surveys, ministry financial and personnel records, and field visits confirmed that the resource base and government subsidies of different types of schools also varied widely, with financing skewed toward schools with educationally less-at-risk children. This was despite a school financing policy which, on the surface, appeared highly equitable.

On this basis, it was reasoned that a move toward a system of positive discrimination -- to provide compensatory resources for schools showing evidence of few resources and relatively poor learning achievement -- would be desirable in the long term. This would require a considerably strengthened monitoring and administrative capacity. In the short term, it was suggested that a system be developed whereby some additional resources be provided to high-priority expenditures, and the existing per capita grant approach be modified to equalize expenditures per student. Some funds would also be set aside to improve the resources of the least endowed schools.

desired outcomes only through effective implementation. Performance ratings of Bank-supported human development projects have been consistently above average. While the rapid expansion and the increasing complexity of the PHR project portfolio has led to some

deterioration in portfolio performance, the proportion of projects facing significant implementation problems (supervision rating 3 or 4) in FY92 was 14% in Education and 16% in PHN, still below the Bank-wide average of 18%. Inevitably, as the portfolio expands rapidly into new areas and supports new objectives, new implementation challenges are arising. The extent to which they are addressed effectively will be a key factor determining the impact of Bank lending for human development.

57. Operational experience suggests that the major constraints to effective implementation are usually managerial, involving important issues which are unfamiliar to some borrowers and Bank staff. The demands of procurement and accounting are becoming increasingly onerous as Bank lending finances fewer large-scale civil works and equipment contracts and supports more large-scale procurement of items such as textbooks, food supplements, pharmaceuticals, scholarships for disadvantaged children, and increments to teachers' salaries. Moreover, the challenge of implementation goes well beyond administrative issues, especially in operations that deliver basic services. In countries with fragile distribution networks, the logistics of distributing centrally procured inputs poses special challenges, especially outside the major population centers. Furthermore, implementation of human development programs almost always involves changes in the professional behavior of hundreds of thousands of staff and managers of small, isolated service delivery points, such as rural health clinics and primary schools.

58. The Bank historically has modelled investment strategies in human development on the "blueprint" designs of the infrastructure sectors. This generally was appropriate as long as physical facilities were the main object of Bank lending for human development. As the portfolio has changed, however, the Bank's



**Box 16. Flexible and Adaptable Project Design:  
Chile Primary Education Improvement Project**

Over the past decade, Chile has implemented significant reform of the social sectors: redefining the role of government, decentralizing major social development responsibilities to municipalities, promoting privatization, targeting public social expenditures to low-income groups, and channelling resources to municipal and private subsidized schools. Taken as a whole, the reforms offer communities considerable flexibility to respond to local needs and objectives.

The project supports these reforms by strengthening the institutional capacity of the Ministry of Education's central, regional, and provincial offices, as well as the education departments of municipalities to direct and manage a decentralized program. The project also includes components to improve the managerial skills of pre-school and primary school principals, to enable them to take advantage of funds available under the decentralization program.

The project includes a \$38 million fund designed to foster local initiatives to address problems related to quality weaknesses at the school level. It supports the restructuring of local curricula in reading, writing, mathematics, and science education through the participation of teachers and school principals, and establishes and implements small school-level projects to improve quality in 5,000 municipal and private subsidized primary schools. Resources are made available on a competitive basis, assessed on the relative cost-effectiveness and innovativeness of proposals developed at the local level.

implementation strategies have become more flexible, sensitive to local conditions, and responsive to beneficiaries. Allowing for local variations in program content is often critical to success, and is the rule, rather than the exception, in many human development programs. Within the framework of clearly specified objectives, they increasingly emphasize program adaptation based on experience as

implementation proceeds. Project designs increasingly are testing such models (Box 16).

**Box 17: Monitoring and Evaluating Progress:  
Tamil Nadu Nutrition Projects in India**

Operational research has been a particular strength of the Tamil Nadu Nutrition projects, with monitoring and evaluation studies built into project design. The first project's (FY80) goal was to improve the nutrition and health conditions of children (especially on those aged 3-36 months) and pregnant and lactating women in 9,000 villages. Nutrition monitoring was based on growth charts, updated monthly and publicly displayed on a standard wall chart. How key nutrition indicators for the village were moving and how well the community nutrition worker was getting services to the disadvantaged, compared to the general population, were visible. These monitoring and feedback activities were key to success, with moderate and severe malnutrition reduced by about 50%. By project's end, its community nutrition centers held probably the largest collection of high-quality longitudinal data on child growth in the world.

The project's evaluation system entailed a baseline survey of each district before implementation began. Then, evaluation studies were undertaken in 1982, 1984, and 1987 to review project performance. The well-developed system of monitoring and evaluation, combined with mid-project studies, enabled continuous examination of project performance, allowed for the immediate resolution of potential problems, and provided a solid foundation for the development of strategies for the second project (FY90).

For it, the initial monitoring and evaluation system was refined and adapted for the whole state of Tamil Nadu. Principles introduced in the project have been incorporated into other Bank-assisted projects.

59. Implementation of these new style human development projects require effective supervision. In FY92, the average supervision coefficient for PHN projects was 20.9 staff



weeks and for education projects 11.0, compared to a Bank-wide average of 14.1 staff weeks. The large variation in supervision effort between the human resource sectors is notable. To determine the underlying cause, the Sector Staffing Group is planning to undertake a detailed analysis of the sector's supervision effort.

60. As important as Bank supervision is to performance during implementation, it cannot substitute for weak institutions. There are limits both on the resources available for supervision and on the range and effectiveness of that supervision. Good performance is a function of the capacity of national institutions, and helping to build this capacity should be a central focus of Bank appraisal and supervision. Bank projects will need to provide explicit support for building strength in this area.

#### **4.5 Monitoring Outcomes**

61. Monitoring the delivery of physical inputs has been reasonably effective in PHR

projects. Outcomes of program investments, however, have been assessed systematically in only a few cases. Yet, where outputs have been carefully monitored, the lessons for the design of future investments have been extremely valuable. The Tamil Nadu Nutrition projects (Box 17), the Bolivia Emergency Social Fund, and the Brazil Rural Education project illustrate the benefits of good monitoring and evaluation.

62. Recent efforts in the education sector to enhance the knowledge and skills of Bank staff through dissemination of "best practice" and training have had positive results. About 43% of the education projects approved in FY90-92 included support for the measurement of learning outcomes, as compared to 26% in FY85-89. While the initial effort of research, analysis, and training was led by PHR, the regional Technical Departments are now staffing to provide support in this field to SODs.

### **V. FUTURE DIRECTIONS**

63. As a result of improved organizational structure and expanded lending, the Bank is well-positioned as a source of policy advice and financing for human development in the 1990s. The immediate priority is to consolidate progress and stay the course toward intensified intersectoral linkages and sharpened country focus. But more is needed. In view of the rapidly expanding demand for human development operations, the Bank must apply its resources to those areas where it has a clear comparative advantage. The Bank's ability to combine economic and technical analysis suggests that the Bank's trademark output should be pitched at policy reform and investment. This requires (i) intensifying support for sectoral programs; (ii) aligning

lending policy and practice; (iii) strengthening the empirical base for action; and (iv) pursuing professional excellence in staffing.

#### **5.1 Intensify Support for Sectoral Programs**

64. To exploit the Bank's advantage more fully, links between human development investments and economic policies need to be further solidified, and the use of lending instruments which support broad programs of reform and development facilitated (paras. 16 ff and 31-32).

#### ***Links with Macroeconomic Policies***

65. Strengthening these links require the explicit consideration of human resource supply



and demand issues in country economic work. On the supply side, this entails analysis of human development expenditures and its integration into Public Expenditure Reviews, taking into account special sectoral features -- long gestation periods, vast array of providers and recipients, high ratio of recurrent to capital expenditures, and the often highly-political choices involved. Moreover, analysis of non-budgetary factors affecting the supply of skilled labor, such as population growth, health policy, and programs promoting the labor force participation of women, is needed for each country.

66. Demand for human resources originates both in the household, which derives utility directly from members' health and education, and with producers of goods and services, who have a derived demand for high-quality labor. Analyses of demand are often incomplete. Economic and sector reports need to consider the implications of rising income and aging population on the demand for health care, for example, and the implication of changes in a country's product mix (from non-tradables to tradables, or from low-skill, labor-intensive products to high-skill, knowledge-intensive products) for investments in education and training. The resulting shifts in relative prices can have important effects on poverty levels if compensatory measures are not in place. Demand analyses should also take account of the private costs of education and health services.

67. A pivotal link between human development and economic policies is the labor market. Its efficiency in matching skills with employment opportunities and facilitating the flow of labor from less productive to more productive uses, is a central element in productivity and economic growth. By contrast, labor market inequities and imperfections can impede attainment of social and economic development objectives. For example, the fact

that women have less access to education than men (an inequity) reduces their wages from formal sector employment and also fuels the rationale for discriminatory barriers against their employment in urban areas (an imperfection). Attention to labor market issues in economic and sector work has increased rapidly in recent years and is expected to continue.

### *Sectoral Lending*

68. The shift toward operations that are most effective in supporting sectoral policy and program reforms and in exploiting linkages with the macroeconomy will need to be accelerated. Especially promising is the experience with sector investment loans (SECILs). Examples cover a wide spectrum including support for science and technology development in Brazil, family planning and higher education in Nigeria, and small-scale employment, nutrition, and health projects in Bolivia.

69. Such a shift has implications for sector work as well as project design and implementation. Sector work should be closely linked to country strategies for growth and poverty alleviation, based on in-depth technical analysis of sectoral constraints and consistent with the lessons of research and experience. Moreover, appraisal of lending operations should concentrate on quality of the proposed sectoral policy framework; the related public expenditure program, including conditions for financing specific programs; and the institutional and managerial capacity to execute, monitor, and evaluate the proposed program. Increasingly, staff of borrower agencies should take responsibility for sector work and supervision; the Bank's policy advice should be provided through analytical support to, and facilitation of, the work of borrower institutions instead of through extensive reports prepared by Bank missions.



## **5.2 Aligning Operational Policy and Practice**

70. Moving toward sectoral and policy-based lending strategies calls for a review of operational procedures and practices to ensure that they suit the needs of new-style human development projects. Two issues are emerging as critical: recurrent cost financing and institutional development.

### ***Recurrent Cost Financing***

71. External support for basic human development has been constrained by the reluctance of many donors to provide financing for recurrent expenditures. Yet, recurrent expenditures in education, nutrition, health, and family planning are part and parcel of human capital investment, as both recurrent and capital expenditures are necessary to the creation of an economic asset - a skilled and healthy worker - generating a stream of benefits over a long period. What is important is a broad view including not only the initial investment in physical infrastructure, but also the cost of operating and maintaining the facilities thereby financed. In the absence of external support for recurrent expenditures, many physical facilities will be used inefficiently or not at all, or countries will choose lower-priority but more capital-intensive projects for which external funds are more readily available. At the same time, there are legitimate concerns about the extent to which external financing of recurrent costs will create long-term dependency.

72. The Bank's guidelines on financing of recurrent expenditures provide a high degree of flexibility, but interpretation varies widely. Moreover, the guidelines treat recurrent cost financing as an exception. The principle of Bank policy in this area - financing of incremental recurrent costs on a declining basis - is unlikely to change significantly. But practice is evolving toward deeper analytical and more explicit policy treatment of recurrent

cost issues during project preparation to ensure the sustainability of investments in human development, while at the same time using more fully the flexibility of the guidelines to ensure the availability of adequate funding. Specifically, this means emphasizing economic criteria as the basis for recurrent cost financing; recognizing the importance of strategically focused, recurrent cost financing in the human development sectors; and restricting major recurrent cost financing, especially of salaries, to those cases where a sectoral financial framework (linked to a public expenditure review) has been agreed upon, including mechanisms and benchmarks for monitoring implementation and the phase-out of external support.

### ***Capacity Building***

73. In cases where the weakness of borrower agencies responsible for sector analysis, project design, implementation, and supervision is a major constraint, institutional development and capacity building must be the central focus of the Bank's work. In particular, the Bank needs to strengthen its own understanding of issues and policy options through analytical work to clarify the issues and the policy options; operational experimentation will be needed to test the viability of different approaches. In developing a work program on institutional development, PHR education and health divisions are pulling together analytical work and operational experiences from around the Bank. In addition, Bank sector work and project preparation should focus explicitly (and disproportionately) on the analysis of institutional issues by sector. The Bank should also provide small, flexible loans (possibly technical assistance loans) for capacity-building and operational research, as well as accord high priority to funding from the Institutional Development Fund to specialist support and training for the design and implementation of institution-building efforts.



74. Developing capacity to monitor progress toward social policy goals, such as improved nutrition, better health, and improved learning achievement is particularly important. Bank-supported projects should ensure that program evaluations go beyond measuring input delivery (e.g., financial resources provided, personnel recruited and trained, facilities constructed and furnished, materials distributed), to monitoring processes and outputs and measuring achievement (e.g., in nutritional status, fertility rates, morbidity and mortality, student learning, and household living standards). Support for country efforts to establish management information systems to monitor and evaluate human development, and strengthen national capacity to evaluate the effects of inputs and processes on the desired outcomes is expected to be a central feature of future Bank operations.

### **5.3 Strengthen the Empirical Base for Action**

75. Successful lending for human development requires a continued effort to integrate research findings and operational experience into sectoral analysis and project design. Borrowers seek access to state-of-the-art knowledge reflecting the lessons from experience of developing and developed countries that can be adapted and applied to their situations.

76. Over 25 years, the Bank has accumulated a substantial body of knowledge on human development, documented in Operations Evaluation Department (OED) reviews, PHR research and policy analyses, sector studies, and project completion reports. It has also developed and deployed advanced tools for analytical work in the sector. Applying this expertise to country-specific issues and the design of national programs gives the Bank an opportunity to serve borrowers in a unique way.

77. Maintaining the quality of expertise and ensuring operational relevance are vital to the effectiveness of Bank investments. It is essential that: (i) the research and policy work of Sector and Operations Policy (OSP) and the Technical Divisions (TDs) stay firmly focused on current and anticipated demands of lending operations, (ii) the lessons of operational experience be documented and synthesized systematically and subjected to cross-country review and analysis by TDs, OSP, and OED; (iii) social output indicators be developed and refined and monitoring and evaluation components included in all projects; and (iv) knowledge about comparative effectiveness be disseminated broadly.

### **5.4 Pursue Professional Excellence in Staffing**

78. The effectiveness of Bank support for human development in the 1990s will ultimately hinge on the dedication and quality of staff. The rapid expansion of lending and the entry into unfamiliar areas of lending threaten to erode the traditions of technical expertise and operational rigor to which the sector has long been committed. It is inevitable in a demand-driven situation that staffing patterns lag somewhat behind the needs, where those needs are changing rapidly. Thus, the number of regular staff who are experienced technical specialists in health, education, population and nutrition has not kept pace with the growth in lending volume and numbers of projects in those sectors. Excessive reliance on consultants commits considerable staff time to oversight of consultants to ensure compliance with Bank standards and format. A key element of the sector's strategy, therefore, is enhancing both skills of technical staff and understanding by generalists of technical issues in human resource development.

79. To maintain excellence, four sector staffing issues are receiving urgent attention: (i) the balance of regular staff positions with



lending volume and number of operations; (ii) staff development and professional exchange among sector specialists; (iii) recruitment of new staff; and (iv) training staff new to the social sectors. In this regard, efforts are underway to harmonize staff resources with the expanded work program by accelerating growth in the number of regular staff positions in the sector and reducing reliance on consultants; sustain investment in state-of-the-art training for sector specialists; launch an aggressive external recruitment campaign to fill existing vacancies and improve the mix of skills; and implement sector-specific orientation programs on a regular basis for the many new entrants into the sector.

### **5.5 Conclusion**

80. Significant gains have been made in the Bank's ability to promote human development and, in many respects, the Bank is well-poised to meet the changing needs of its clients. The institution's view of human development has broadened, shifting from provision of physical infrastructure to sector-wide and policy-based strategies. The Bank is pursuing an increasingly integrated and country-focused approach to human development, enabling a better exploitation of intra-sectoral synergies and linkages with general economic policy.

81. While much has been achieved, significant challenges lie ahead. Apart from country-level hurdles -- low spending priority

given to human development, restricted absorptive capacity, and political limits on much-needed reform -- the Bank faces its own limitations. First, the move toward sectoral and policy-based approaches to human development has been slowed down by the relative neglect of institutional development issues in the past. Second, the broadening of lending objectives and the emergence of new areas of lending have been so rapid that policy and research work has, on occasion, lagged behind operational requirements. This is especially true in the critical area of institutional development. Third, pressures on staff have constrained the Bank's capacity for operational innovation, effective supervision, and systematic assessment of project outcomes.


82. These issues are being addressed by the sector. The number of regular staff is increasing gradually, and an extensive staff training program is being implemented. Policy and research are focusing on the consolidation of research findings and lessons from experience both from within and outside the Bank. Institutional development is increasingly emerging as the central challenge for the sector and is receiving increased attention in policy work and training. The challenges the sector faces are formidable, but they can be met effectively, provided the resources available are targeted carefully to address the priority issues outlined in section V. In this way, the Bank will be able to continue to play its role as a leading source of finance and policy advice for human development.



## OFFICE MEMORANDUM

DATE: August 14, 1992

TO: See Distribution

FROM: V. Rajagopalan, OSPVP 

EXTENSION: 33419

SUBJECT: Paper for Board Seminar on Lending for Human Development

1. You are invited to a review meeting on the attached draft paper entitled, "Lending for Human Development: Progress and Challenges".

Date:	Thursday, September 10
Time:	11:00 a.m.
Location:	S13-161

2. The paper is scheduled for discussion at a Board seminar on October 20. It was produced as a consequence of discussion by the Board of an issues paper, "Human Resource Development in Developing Countries", on September 10, 1991, prior to its presentation to the Development Committee in October. That paper was very well received, and the Board expressed interest in knowing more about the Bank's experience in human resource development and possible implications for the future.

3. An earlier draft was circulated on May 20 for review by all PHR Division Chiefs. Their comments have been taken into account.

4. Should you wish to provide written comments on the paper prior to the meeting, I would appreciate receiving these by August 25.

Attachment

Distribution:

Messrs. B. Alisbah (PAAVP), S.D. Eccles (CTRVP),  
 S.S. Husain (LACVP), A. Iida (MIGEX),  
 E.V.K. Jaycox (AFRVP), G.S. Kaji (EAPVP),  
 K. Kashiwaya (CFSVP), C.K. Koch-Weser (MNAV),  
 J.F. Linn (FPRVP), R. Picciotto (CPBVP),  
 W. Ryrie (CEXVP), I.F.I. Shihata (LEGVP),  
 L.H. Summers (DECVP), W. Thalwitz (ECAVP),  
 D.J. Wood (SASVP)  
 Ms. J. Einhorn (TREV)

cc: Ms. J. Armitage, EXC  
 Ms. Hamilton, PHR

① Staffing LAC. page 16.  
 ② Recurring Cost Financing OD  
 Para 71 & 72  
 ③ Legal Comments - para 8



# OFFICE MEMORANDUM

DATE: August 13, 1992

TO: OSP Directors

FROM: V. Rajagopalan, OSPVP



EXTENSION: 33419

SUBJECT: Paper for Board Seminar on Lending for Human Development

1. Attached please find a draft paper prepared by the PHR Department. The paper is scheduled for discussion at a Board seminar on October 20. It is being circulated to Bank Vice Presidents for comment.

2. This paper was produced as a consequence of discussion by the Board of an issues paper, Human Resource Development in Developing Countries, on September 10, 1991, prior to its presentation to the Development Committee in October. That paper was very well received, and the Board expressed interest in knowing more about the Bank's experience in human resource development and possible implications for the future.

3. I would appreciate receiving your comments, if any, on the attached draft by August 25 (copied please to Ms. Hamilton, PHR).

Attachment



# OFFICE MEMORANDUM

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OFFICE OF THE OSPVP  
SECTOR & OPERATION POL.

*Amu*

DATE: August 26, 1992

TO: Mr. V. Rajagopalan, OSPVP

FROM: Armeane Choksi, Acting RVP, LAC

EXTENSION: 31811

SUBJECT: Paper for Board Seminar on Lending for Human Resources

1. We have reviewed the above-mentioned paper sent to us with your memorandum of August 14, 1992.

2. We agree with the main thrust of the paper. We have, however, some comments that you may want to consider for the next version of the paper:

- (i) The paper presents very high projections for Human Resource lending for the period FY93-95: annual lending for HR is planned at \$5.4 billion per year in FY93-95, compared with \$3.0 billion in FY90-92 and \$1.1 billion in the late 1980's. Although the numbers are based on the Regions' business plans, the possibility exists that the targets may not be achieved, given other constraints. In order to avoid high expectations, it may be better to provide to the Board lending targets in the form of likely ranges, rather than precise absolute numbers.
- (ii) In several places, the paper indicates that the reorganization of 1987 and country focus were the main causes for the increase in HR lending. It may be useful to balance the discussion by highlighting that growth in lending was also due to the substantial analytical work that led to a better recognition of the importance of HR in the development process.
- (iii) The paper discusses some staffing issues that should be handled internally by Bank management, such as issues of "critical mass" on page 16, the unfamiliarity of many staff with labor market economics, the need for better balance between HR staff and consultants. It appears that the paper is making a case for more staff in HR. Presentation to the Board of these issues should include a better explanation of how Bank management is handling them.



# OFFICE MEMORANDUM

DATE: August 25, 1992

TO: Mr. V. Rajagopalan, OSPVP *or*

FROM: Hans Wyss, CODDR

EXTENSION: 82851

SUBJECT: Lending for Human Development

*V.R. 01/1*  
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OFFICE OF THE OSPVP  
SECTOR & OPERATION POL.

1. This memorandum is in response to your request for comments on the above draft paper circulated under your memorandum of August 13, 1992.

2. We welcome this paper and are in general agreement on its approach and scope. We do have, however, some comments and questions which merit careful attention.

- (a) The paper does not address the role of the private sector in Human Resource Development. Its main focus is on the public provision of services and the role of government. The private sector has an important role in the entire area of human development (education, health, employment) which needs to be emphasized in this document to more fully address the policy concerns, and to be consistent with the Bank's own emphasis in this area.
- (b) The paper also does not address the financial aspects of investing in human development. In addition to government support, it would be appropriate to spell out the objective of ensuring cost recovery as a policy matter for services provided through various institutions.
- (c) The paper sets out the need for linkages with macro-economic and policy based approaches through Public Expenditure Reviews. Does it adequately emphasize the review of sectoral priorities to ensure a core program for a sector to which resources can be allocated on a priority basis?
- (d) A main source of inequality in economic status between different groups (women, poor, low skilled) is the difference in the share of opportunities and access to them. Should not a policy paper on human development also focus on setting out the need for equity in access to opportunities by different groups?
- (e) A first draft of the Operational Directive on Recurrent Cost Financing is expected to be issued for comments in early fall 1992. Para. 72 of the paper lacks clarity on what precisely should be Bank policy on recurrent cost financing, but pushes for an open-ended "recurrent cost financing in the human development sector as the normal way of doing business". Such a broad change in policy should clearly be subject to a Bankwide review before submission to the Board.

cc: Messrs./Mmes. Hamilton (PHRDR), Salop (OSPVP), Wijnand, Srinivasan, Moore, Rashid (COD)

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# Record Removal Notice

<b>File Title</b> Human Development Effectiveness - Correspondence - Volume 1		<b>Barcode No.</b>  1153525		
<b>Document Date</b> 8/25/1992	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> To: V. Rajagopalan From: Andres Rigo				
<b>Subject / Title</b> Paper on "Lending for Human Development: Progress and Challenges"				
<b>Exception(s)</b> Attorney-Client Privilege				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Bertha F. Wilson</td><td><b>Date</b> 30-Jun-21</td></tr></table>	<b>Withdrawn by</b> Bertha F. Wilson	<b>Date</b> 30-Jun-21
<b>Withdrawn by</b> Bertha F. Wilson	<b>Date</b> 30-Jun-21			



VR 015  
KD

A L L - I N - 1   N O T E

DATE: 26-Aug-1992 11:13am

TO: V. Rajagopalan, OSPVP ( V. RAJAGOPALAN, OSPVP )

FROM: Phi Anh Plesch, CECDR ( PHI ANH PLESCH )

EXT.: 37463

SUBJECT: Re: Board seminar paper on Lending for Human Development

Nancy Birdsall asked me to pass on to you her remark that the report failed to mention --especially in the section on Future Directions--the issues of old age security and civil service reform. She felt that these two issues might be raised at the Board. As you may know, CECPS is preparing a report on Old Age Security due to be completed by the end of this fiscal year. Also, the report does not seem to take into account other CEC research, e.g. on social expenditures in CECPE and on private sector development in CECPS.

CC: Ann Hamilton ( ANN HAMILTON )  
CC: Mary Shirley ( MARY SHIRLEY )  
CC: Estelle James ( ESTELLE JAMES )  
CC: Shankar Acharya ( SHANKAR ACHARYA )  
CC: Nancy Birdsall ( NANCY BIRDSALL )



MD

A L L - I N - 1 N O T E

DATE: 24-Aug-1992 11:44am

TO: Ann Hamilton ( ANN HAMILTON )

FROM: Pauline J. Clephane, OSPVP ( PAULINE J. CLEPHANE )

EXT.: 31402

SUBJECT: Human Resources Development in Developing Countries

For your information, Mr. Pouliquen's office called to inform Mr. Rajagopalan that Mr. Pouliquen has no comment on the above paper.

CC: V. Rajagopalan, OSPVP ( V. RAJAGOPALAN, OSPVP )  
CC: Joanne Salop ( JOANNE SALOP )  
CC: Richard Meyers ( RICHARD MEYERS )



VR/r  
JD

A L L - I N - 1   N O T E

DATE: 25-Aug-1992 05:05pm

TO: Ann Hamilton

( ANN HAMILTON )

FROM: Pauline J. Clephane, OSPVP

( PAULINE J. CLEPHANE )

EXT.: 31402

SUBJECT: Human Resources in Developing Countries

For your information, Bob Liebenthal's office called to inform Mr. Rajagopalan that ECA have no comments on the above paper.

CC: V. Rajagopalan, OSPVP

( V. RAJAGOPALAN, OSPVP )

CC: Joanne Salop

( JOANNE SALOP )

CC: Richard Meyers

( RICHARD MEYERS )







PRESIDENT'S COUNCIL MEETING

MONDAY, JULY 15, 1991

9:30 A.M.

AGENDA

- \* 1. Human Development: A Bank Strategy for the 1990s  
(Memorandum from Mr. Thalwitz dated July 8, 1991)


*3-38 b2 3-22*

- 
- \* Document attached

7/9/91



THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION  
OFFICE MEMORANDUM

DATE: July 8, 1991  
TO: Mr. Barber B. Conable  
FROM: Wilfried P. Thalwitz   
EXTENSION: 36860  
SUBJECT: Human Resources Development Strategy

Attached is a paper entitled "Human Development: A Bank Strategy for the 1990s," which will be discussed at the President's Council on Monday, July 15, 1991.

Attachment

cc: Members, President's Council



July 8, 1991

# **HUMAN DEVELOPMENT:**

A Bank Strategy for the 1990s

Population and Human Resources Department  
Policy, Research and External Affairs

# HUMAN DEVELOPMENT: A BANK STRATEGY FOR THE 1990s

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This draft has been prepared by a Task Force led by Wadi D. Haddad and comprising Anthony Measham, Andrew Rogerson, and Adriaan Verspoor, under the general direction of Ann Hamilton. The Task Force was assisted by Terri Demsky, Kin Bing Wu and Sharon Blinco (editor).

## EXECUTIVE SUMMARY

i. Investments in human capital are increasingly recognized as critical to sustainable development. Education, health, nutrition, population concerns, and the socioeconomic role of women increasingly permeate all aspects of development and the Bank's institutional priorities. Combined, they constitute the elements of *human development*, as appropriately coined in *WDR 1980*.

ii. Human development has been a fast-growing area in the Bank, with the typical pains of growth. It has also been facing new challenges -- expanded and broadened role, integrated structure, and country focus -- for which the Bank has been tuning up and experimenting with various instruments. This paper reviews the Bank's operational and research experience, consolidates the lessons learned, identifies areas of unfinished business and recommends an agenda for action to improve the Bank's effectiveness in this area. This paper is an internal strategy document. It does not aim to provide specific policy options for countries under different conditions, nor does it call for a new initiative or more resources. The proposed agenda for action is shaped by the global challenge (Section I), the strategic choices that countries have to make (Section II), and the Bank's preparedness in terms of policy, structure, and operational experience of Bank programs (Section III). The paper has been prepared by a small group from PRE and Operations, working closely with TDs and SODs.

### I. THE GLOBAL CHALLENGE

iii. Decades of experience and research highlight the pivotal role of human development in achieving the social and economic objectives shared by the Bank, its borrowers, and the international community at large. Importantly, investments in human development not only combat deprivation, but also provide an adequate threshold of nutrition, health and education for productive gain by individuals and society. In this sense, human development is both the means and the end of economic progress. There is also evidence of strong synergistic, or mutually reinforcing, effects among the sectors, with women at the center particularly when inter-generational linkages are included. Entering the 1990s, the Bank has placed human development at the heart of its development strategy for spurring economic growth, alleviating poverty and effecting technological progress, as reflected in *WDR 1990* and *WDR 1991*.

iv. Substantial progress has been achieved over the past three decades in human development. Yet, high expectations as to what such investments can accomplish in developing countries continue to contrast sharply with prevailing human deprivation. More than one billion people live in absolute poverty; one-sixth of the population goes hungry every day; 1.5 billion people lack basic health care; over 14 million children die each year before reaching their fifth birthday -- most from preventable causes; half a million women die each year from causes related to pregnancy and childbirth; nearly 900 million adults, two-thirds of whom are women, are illiterate; and more than 100 million children, including at least 60 million girls, have no access to primary schooling. If current trends persist, prospects for the 1990s are not better.

### II. STRATEGIC CHOICES AT THE COUNTRY LEVEL

v. The response to the challenge of raising the levels of human development must take into consideration both the external environment and the intrinsic features of the sector. Human development has a heavy political dimension, involves a vast array of providers and beneficiaries, demands a high recurrent/capital expenditure ratio, and requires a long gestation period. Strategies, therefore, can be neither purely technical nor quick-fixes. In this context, no country can escape the need to make long-term commitments and tough strategic national and sectoral decisions regarding human resource development. Each country-specific strategy is basically the result of choices in four arenas: how to effectively integrate human development investments with macro-economic policies, demographic change and infrastructure; what balance to strike and trade-offs to make between competing demands among sectors and among different



human development investments; what tasks the state should implement and what should be left to the private sector (including NGOs); and what institutional skills and capacities need to be developed or encouraged to do all the foregoing.

vi. **Linking Human Development with the External Environment.** Capturing the returns to investment in human development requires a policy framework that ensures effective delivery of relevant services and efficient deployment of human capital. Absent such a context, schools and health centers will be under-used, scientific knowledge mis-directed, and scarce skills not applied where most needed. Worse, lives and material resources to counter ignorance and disease will be squandered. The decline of education and health systems in many countries in the 1980s demonstrates how ill-considered economic policies can sabotage good human development policies. Long-term human development policies must, therefore, be integrated with macro-economic policies, demographic factors, and development infrastructure.

vii. **Balancing Competing Demands.** Essentially, countries need to make long-term investments based on three sets of difficult policy choices (beyond the macro and broad policy issues already mentioned that determine, inter alia, the availability of resources for the overall public expenditure program). The first involves overall resource allocation -- countries that have succeeded in raising levels of human development have made adequate provision for the purpose in their budget which has contributed to faster long-term growth. The second involves allocation of expenditure across and within human development sectors, based ideally on criteria of efficiency, cost-effectiveness and equity. Of primary importance in this regard is striking a balance between the need to provide universal access to basic human services, to enable people to attain at least an acceptable minimum of physical well-being, education, and earnings, and the need to provide higher level services, including selective opportunities to acquire advanced knowledge, skills, and technologies, as complementary steps to advance development of their economies. In addition, ensuring the equitable access of women to both basic services and advanced training requires special attention. In many countries, a shift from higher-level to basic services will serve efficiency and equity objectives, and higher level services may often be financed through gains captured from financial reforms. The final policy choice involves balancing expansion and quality. Human development services must be provided at a minimum level of quality if they are to make a contribution to development; therefore, in many countries, investing in the quality of existing services is likely to have a higher pay-off than in new facilities.

viii. **Redefining the Role of the State.** Governments have borne the major responsibility for the financing and provision of human development services, driven by the need to capture externalities and equity concerns. There has though, been good progress in many countries in: (a) diversifying sources of funding, including community construction of primary schools and health clinics, and partial cost recovery; (b) encouraging non-governmental provision where private (non-profit or for-profit providers) can deliver services efficiently and equitably; and (c) using quasi-market approaches for public provision. Governments must continue to bear the main responsibility for providing or otherwise assuring basic social services, and to play a major role in other social services as well. However, increasing demand for human development services, particularly for expensive higher-level services, will require a further shift in the direction of involving the private sector to supplement the public sector, as well as more careful targeting of government expenditure.

ix. **Developing National Capacity.** To accomplish all of the above, countries need analytical and managerial capabilities including the ability to analyze needs, identify priorities, design policies, and implement and evaluate programs. For most human resources development programs, though, the critical constraints are managerial and institutional rather than technical. In many countries administrative systems need strengthening to: (a) ensure the quality and motivation of staff at the operational level; (b) provide reliable and timely information for effective decision-making; and (c) create an appropriate organizational and decision-making structure and imbuing it with adequate resources, with an eye towards devolution of



managerial and fiscal authority to the local levels. Here again the issues of redefining the role of the state are important. Leadership must come from the public sector, but drawing on the private sector (including NGOs) not only for implementation, but for important analysis and policy inputs at earlier stages as well.

### III. BANK RESPONSIVENESS

x. In many respects the Bank is well poised to meet the changing needs of its clients in responding effectively to the strategic choices outlined above. Over time, the institution's view of human development lending has broadened, shifting from an infrastructural approach to sectoral and policy-based lending. The Bank's structure now allows for a more integrated and country-focused approach to human development enabling it to address and exploit synergies and linkages. Finally, decades of development work, in research and policy as well as in the field, have led to the accumulation of a respectable body of knowledge in sector analysis and in cost-effective responses to human development needs, particularly in the macro-economic context. These advances are all reflected in the expansion and diversification of human development lending.

xi. Although significant gains have been made in the Bank's ability to promote human development, much remains to be done. Aside from country-level hurdles such as subordinating human investments to other expenditures, restricted absorptive capacity, and political sensitivities, the Bank faces its own limitations. First, despite the Bank's structural integration and country focus, sector work and project operations do not sufficiently and systematically exploit the underlying synergies among human development components, nor the linkages between macro-economic strategies and human development at the country level. Lending practices, reflecting in many respects the narrow, classic "investment" view, are restrictive in dealing with the complexities of strategic choices demanded of countries, as outlined above. A wide range of instruments, though, have been evolving rapidly to deal better with these objectives -- including SILs, SECALs, and hybrids -- and need to be used more extensively in the PHR sectors. Second, the present approach to lending for human development, predominantly articulated in the 1960s and 1970s, is deliberately patterned after the Bank's experience with lending for infrastructure projects. It has created a strong emphasis on rigorous analysis and estimation of project investment costs, but a reluctance to finance recurrent and local cost, even where this is demonstrably the most cost-effective way to support investment in human development. Third, outside the lending cycle, the Bank is inadequately equipped to respond to demand for human development advice. While the transfer of know-how is often achievable within the project cycle, the conventional bundling together of lending and technical assistance has serious limitations. Fourth, excess output objectives compared to staff growth and changes in lending patterns and areas have strained staff capacity to the limit and led to dependency on consultants more than in any other sector. As the sector continues to grow and diversify, the situation may worsen if the present workload, technical support and staff development patterns persist. Finally, monitoring and evaluation in the human development sectors suffers from two important deficits: insufficient information about trends in social development, and lack of empirically sound evaluations of impact. With only modest up-front planning and resources, the Bank can capture good opportunities to learn more about the impact of social interventions and the effects of Bank policy (than it could from *ex post* econometric analysis without this up-front planning).

### IV. BANK AGENDA FOR ACTION

xii. The scope for expanding the Bank's human development assistance, in response to country demand, is enormous. Yet, to be effective, the Bank must be selective in the targeting and modalities of financing, concentrate its efforts on areas central to its mandate as an economic development institution, and bring its unique perspective and expertise to bear on the international human development agenda and on the design and implementation of country-specific strategies. To leverage its comparative strengths, the Bank must:



xiii. **Concentrate on Support for Broad Programs of Reform and Development.** Lending practices, while evolving rapidly, are still in many respects a reflection of the classic "investment" -- bricks and mortar -- view of human development, and lag behind present strategic thinking. There is, however, a wide range of instruments which are successfully dealing with the complexities of strategic sectoral choices demanded of countries (Section II) and overall sectoral reforms including corresponding expenditure demands: ILS with policy content; SILs, including those with time slices of sectoral programs (de facto a slow-disbursing adjustment credit); SECALs, where the conditions for adjustment lending are met; hybrids (or some combination over time of SECAL and ILS/SILs) that combine adjustment features with longer-term needs of investment and institution-building; and coverage of social sector issues (but not "earmarked" financing) in SALs. In countries where there are SALs or public expenditure reviews (PERs), human development reforms can be given emphasis (including in public expenditure and policy conditionality in SALs). In all countries, social sector reform can be included or emphasized in the overall country dialogue.

xiv. Further shifts should be encouraged in the use of lending instruments that place increased emphasis on policy and program reforms and exploit the linkages with the macro-economic environment and among human development components. This calls for sector work that is firmly grounded in macro-economic strategies for growth and poverty alleviation, and for appraisal of lending operations focusing on proposed sectoral policy framework and institutional capacity to implement it. Since the success of this approach depends, to a large extent, on the borrower's capacity, the Bank should actively assist countries to develop their own analytical and implementation capacities with targeted loans, technical assistance, and involvement of NGOs and other international agencies.

xv. **Relax Restrictions on Recurrent and Local-Cost Financing.** Human development requires a concentrated, long-term commitment, not just for capital expenditure, but mostly for recurrent expenditure which comprises the bulk of budgetary requirements. Therefore, governments and donors need to enter into a kind of compact ensuring that both will allocate their resources to priority areas in human development for a sufficiently lengthy period in order to make a real difference. Effective Bank support for human development thus requires lending for consolidated programs of both capital and recurrent expenditure. To ensure sustainability and minimize fiscal risks, financing of recurrent expenditure should be prudently imbedded in a financial policy framework, for the sector and for the public expenditures as a whole, and disbursement targeted on strategic categories of expenditure. It should be noted, though, that, in many cases, achieving the long-term human development needed to lift a country out of poverty will require substantial spending in the near term, the benefits of which will not be fully manifested until the longer term. The strategies for reducing the dependence on external support will need to recognize the long gestation period.

xvi. The Bank cannot hope to finance the huge amounts of recurrent and local costs required to meet human development needs worldwide. It can, however, have a multiplier effect by selectively financing a share of strategic categories of expenditures, leading governments to develop viable financial policy frameworks and influencing the financing patterns of other donors. Restricted financing of recurrent or local costs introduces a major bias in government expenditures against what, on policy grounds, is being encouraged. CD and PHR staff should, therefore, take account of the need for adequate financing of recurrent (and local) costs of cost-effective human development programs in sector and project work. Current guidelines provide a high degree of flexibility in this domain, but their interpretation and implementation have varied widely across departments. In order to provide a consistent signal, OMS 2.1 should be revised to reflect the above broad interpretation of "human capital investment" and the sustainability and selectivity criteria for financing recurrent expenditure. Similarly, local-cost financing must be dealt with as liberally as is feasible, particularly in programs targeted at the poor.



xvii. **Facilitate advisory support** where needed assistance for capacity building falls outside the Bank lending program. One way to address this is to extend the present practice in some departments of cross-subsidization, emphasizing freestanding institution-building work in a key sector or subsectors where lending operations are temporarily not feasible. Further demand for technical assistance unrelated to lending should be explored to assess whether any new facility or measure is needed. Such a study should be conducted by an *ad hoc* working group of PHR staff and others. The Group should work closely with the Bank-wide Task Force on Technical Assistance, and should take into account earlier experience with special facilities.

xviii. **Maintain High-Quality Expertise.** The Bank's effectiveness hinges on the dedication and quality of its staff. Maintaining technical expertise and operational vigor requires (a) reducing the pressure on operational staff by adopting more realistic expectations in the work program, and reviewing, at the CD level, whether current lending plans suggest shifts in positions on the margin to reduce the gap between the consultant ratios for PHR and for other sectors, and (b) sustaining investment in staff development, coupled with aggressive international recruitment.

xix. **Improve Impact Evaluation.** The Bank should move more systematically into the development of the empirical underpinnings for policy choice and selecting interventions in the different areas of human development, and the best-practice basis for generalizing the use of new lending instruments. This requires action on four fronts: developing and refining social output indicators and consistently applying them to establish a country baseline, to formulate country strategies, and to measure impact of policy reforms; including monitoring and evaluation components as a standard practice in human development projects, requesting financing from research funds to develop prototypes; strengthening coordination between PRE and the TDs in developing social indicators, in providing operational support for the design of prototype monitoring and evaluation components, and in synthesizing results; and disseminating the resultant accumulated knowledge.

## V. RESOURCE ALLOCATION

xx. Lending for human development has grown dramatically over the past five years and is expected to grow even faster in the coming years. This growth will certainly necessitate a significant increase in resources. It should, however, be dealt with through the normal CAM process.



## CHAPTER I -- THE GLOBAL CHALLENGE

1.01 Investments in human capital are increasingly recognized as critical to sustainable development. Education, health, nutrition, population concerns, and the socioeconomic role of women increasingly permeate all aspects of development and the Bank's institutional priorities. Combined, they constitute the elements of *human development*, as appropriately coined in *WDR 1980*. Herein the term is used in the same way.

1.02 Decades of experience and research highlight the pivotal role of human development in achieving the social and economic objectives shared by the Bank, its borrowers, and the international community at large. Importantly, investments in human development not only combat deprivation, but also provide an adequate threshold of nutrition, health and education for productive gain by individuals and society. In this sense, human development is both the means and the end of economic progress. Substantial progress has been achieved over the past three decades in human development investments, yet high expectations as to what such investments can accomplish, continue to contrast sharply with unacceptably low levels of education, nutrition and health, particularly among women and children. The enormous challenge of the 1990s, for both the Bank and its borrowers, is to address the gap between reality and potential of human development in light of expanding demands and constrained resources.

1.03 Human development has been a fast-growing area in the Bank, with all the pains of growth. It has also been facing new challenges -- expanded and broadened role, integrated structure, and country focus -- for which the Bank has been tuning up and experimenting with various instruments. The purpose of this paper is to review the Bank's experience, consolidate the lessons learned, identify areas of unfinished business, and recommend an agenda for action to improve the Bank's effectiveness in this area. In this sense, this paper is an internal strategy document; it does not aim to provide specific policy options for countries under different conditions, nor does it call for a new initiative or more resources. The proposed agenda for action is shaped by the purpose of human development (Chapter I), the strategic choices that countries have to make (Chapter II), and the Bank's preparedness in terms of policy, structure and experience (Chapter III).

### A. THE EXPECTATIONS

1.04 The Bank enters the 1990s with a broad consensus regarding the critical role of human development in accomplishing its goals, namely, to spur economic growth, alleviate conditions of poverty, and effect technological progress. The Bank's first comprehensive treatment of the central role of human development issues, reflected in *WDR 1980*, combined, in a coherent analytic framework, the concern for economic growth and productivity that dominated development strategies in the 1950s and 1960s and the emphasis on basic needs in the 1970s.

1.05 Entering the 1990s, the Bank has made the eradication of poverty a central element of its operational and policy work. Based on *WDR 1990*, it has adopted a two-part strategy for poverty reduction: encouraging broad-based economic growth to generate income-earning opportunities for the poor and ensuring access of the poor to basic social services to combat malnutrition, ill health, illiteracy, high fertility, and the lack of employable skills. Human development is central to both parts of the strategy. It is also important to the targeted safety net programs which the WDR emphasizes as a complement to this two-pronged strategy. "Improvements in health, education, and nutrition directly address the worst consequences of being poor. But there is ample evidence that investing in human capital, especially in education, also attacks some of the most important causes of poverty (p. 74)." Reviewing the lessons of 40 years of development experience, in *WDR 1991*, the Bank further concludes that technological progress is the impetus of development. Hence, human development strategies need to be designed to meet both poverty alleviation



objectives through basic social services and technology transfer objectives through secondary education, science and technology training, and international exchanges in engineering and science, in order to ensure meaningful participation by developing countries in the global economy. Investments in human resources, therefore, will be at the heart of the Bank's development strategy in the 1990s and on the critical path to the fulfillment of its mission.

1.06 There is also a growing realization in the developing world and in the international aid community that sustainable development cannot occur without investing in people. It is translated into political commitment at the highest level and has been reflected, during the past two decades, in several worldwide population, health, and education initiatives: The Alma Ata Conference on Primary Health Care (1978), followed by a Task Force for Child Survival; the World Population Conference (1984); the UN Conference on Women (1985); the Safe Motherhood Initiative (1987); the World Conference on Education for All (WCEFA) (1990); the UNDP Human Development Report Series, launched in 1990; and the World Summit for Children, held in New York, September 1990. The purpose and scope of these initiatives are summarized in Annex I).

1.07 Expectations from human development investments are based on a wealth of country experience and research evidence at the country and cross-country levels that shows the high returns to society from investing in people. Studies have shown that individual gains in productivity through education, health, and nutrition investments clearly translate into macro-economic gains, that human development components have strong synergistic effects, and that women are at the center of such linkages, particularly when account is taken of intergenerational effects, and are crucial to the effectiveness of a broad range of investments in human development. These studies are well documented in different Bank reports and are briefly summarized in Annex II.

## B. NEEDS FOR HUMAN DEVELOPMENT

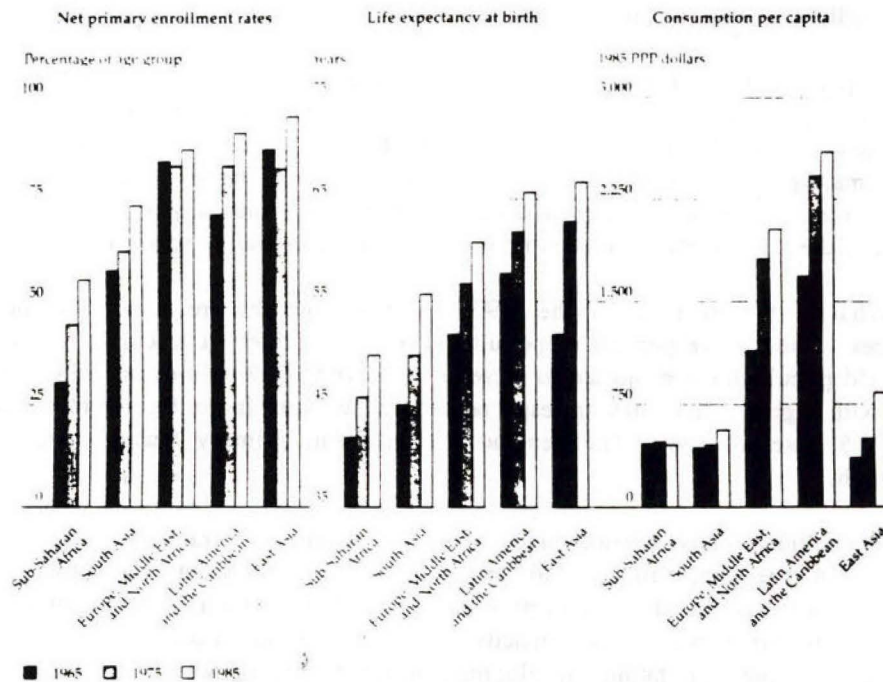
1.08 Overall, developing countries have made substantial progress in human development over the past three decades. Between 1965 and 1985, life expectancy rose from 51 to 62 years of age, and net primary enrollment rates increased from 73% to 84% of the primary school age group. Adult literacy rates rose from 43% in 1970 to 60% in 1985, and school enrollment rates for girls increased more than twice as fast as those for boys. Under-five mortality declined by more than a third from 1960 to 1989 in the 38 countries with the highest levels; in all other developing countries it fell by more than half during the same period. Under-five mortality correlates well with other indicators of human development. It reflects improvements in nutrition and health, especially of women and small children, and in education, notably female literacy. Figure 1 indicates significant regional variation in levels of progress, with Africa remaining the world's most serious problem area in human development. The Figure also illustrates that income growth is highly correlated with economic growth. There is, though, substantive variation in human development at any given income level, as the comparison of East Asia with Latin America and the Caribbean, or of South Asia with Africa shows. This reemphasizes the scope for direct action on human development.

1.09 This progress, however, must be put in perspective. Tremendous human deprivation remains in developing countries as the following profile indicates.

- Income: Average per capita income is \$650. More than one billion people (one in every three) still live in absolute poverty, with annual per capita consumption of less than \$370.



Figure 1: Progress and stagnation in the developing world



- **Life Expectancy:** Average life expectancy is 62 years, but in 10 African countries life expectancy is below 50 years.
- **Food and Nutrition:** One in six persons suffers daily hunger, and 150 million children under five (one in three) suffer from serious malnutrition. One billion suffer from iron deficiency anemia, vitamin A deficiency, and/or iodine deficiency disorders.
- **Health:** Primary health care is not available to 1.5 billion people. Women and children suffer the most. Half a million women die each year from causes related to pregnancy and childbirth. The maternal mortality rate is 330 maternal deaths per 100,000 live births in low-income countries, compared to 10 in high-income countries. Some 14 million children under five die annually.
- **Literacy:** Nearly 900 million adults, two-thirds of whom are women, are illiterate. There are nine countries (most in Asia) each with more than 10 million illiterates and 14 countries with illiteracy rates of 70% or more, 11 of which are in Africa.
- **Education:** More than 100 million children, including at least 60 million girls, have no access to primary schooling. Estimated school enrollment ratios for the 6-11 year age group are less than 60% in Africa, 75% in Asia, and 87% in Latin America. In India alone, there are more than 50 million children out of school. In low-income countries, the average net enrollment ratios are lower for females, 78%, as compared to 87% for males, and do not automatically catch up as GNP rises. Furthermore, qualitative differences between rural and urban schools are enormous, with

urban schools having better access to facilities and teaching materials. Enrollments in higher education in many low-income countries remain less than 5% of the age group, compared to 10-20% in middle-income countries.

1.10 Disparities in social indicators are also striking within countries between males and females and urban and rural populations. First, women are less well than men on almost all the above indicators; they have less access to social services and labor market. For instance, there are still 16 developing countries where female primary enrollment is less than two-thirds of males. Secondly, two-thirds of the people in the developing countries live in rural areas but receive less than a quarter of education and health services. Even then they are likely to have simple clinics and low-quality schools.

1.11 What are the prospects for the 1990s? The demographic trend indicates increasing demand for scarce resources. Ninety-five percent of population growth is likely to occur in developing countries. Their share of world population is projected to increase from 76% (3.9 billion) in 1988 to 80% by the year 2000. Countries with high fertility rates are especially burdened with large dependent populations, 45% of which are under 15 years of age. The demand for nutrition, primary health care, and education is correspondingly high.

1.12 In addition, many developing countries are further constrained by the need to restructure their economies. In the short run, fiscal crises and the consequent need for stabilization may disproportionately harm the poor and undercut programs that help form human capital for development. Yet, protecting the human resource base and its capacity to spur micro- and macro-economic growth is crucial. It is, thus, important to protect the human development programs during adjustment periods (see para. 3.07 below) and to devise a strategic framework for appropriate national policies. Expanded access to human development services and emphasis on growth through productive use of labor could arrest the decline in real income and quality of life in many developing countries. In *WDR 90*, the overall number of poor in the developing world is projected to decline from one in three persons to less than one in five. This decline is predicated on the historical trend of a 3% growth rate in industrial countries, a similar increase in real aid flows, and progress resulting from the proposed strategy for poverty alleviation. The absolute number of poor in South Asia will continue to be in the hundreds of millions, and in sub-Saharan Africa, with a projected population growth rate of 3.1%, the number of poor is expected to increase from 180 million to 265 million. Failure to undertake requisite policy reform or to sustain human development programs and social safety nets would sharply reduce potential gains from human development investment. Further, without investing in scientific and technological capacity, many developing countries would lack a foundation for sustained human development and full participation in the global economy.

## C. RESPONDING TO THE CHALLENGE

1.13 The response to the challenge of raising the levels of human development must take into consideration the economic and political realities of the sector. Human development has a heavy political dimension. For example, the choice between financing for public enterprises and primary education is more political than technical. Human development also involves a vast array of providers and beneficiaries, demands a high recurrent/capital expenditure ratio, and requires a long gestation period. Strategies, therefore, can be neither purely technical nor quick-fixes. In this context, countries need to make long-term commitments and tough policy decisions (Chapter II), and the Bank needs to make similar commitments and strategic choices (Chapter III).



## CHAPTER II -- A FRAMEWORK FOR STRATEGIC CHOICES AT THE COUNTRY LEVEL

2.01 Major variations in human progress are, to a considerable degree, the results of policy choice: countries vary in the extent to which they have recognized and acted upon, the centrality of human capital investments for sustainable development. Several countries with only modest levels of income have been able to attain levels of human development equal or superior to some industrialized countries. This demonstrates that the link between economic growth and human progress is not automatic, and that even when economic adjustment is inevitable, the human costs are often a matter of *choice*, not of compulsion. Some countries (Colombia, Costa Rica, Korea, Sri Lanka, and Zimbabwe, for example) have long considered human capital to be as productive an investment as physical capital, and have consistently invested in people. When combined with sound economic management, these investments have paid off handsomely, as illustrated in Box 1. Other countries (Brazil, India, Nigeria, and Pakistan, for example) have invested less in human development, neglecting the needs of large groups or certain regions. They have paid a price in lost opportunities for overall development and in the continuing poverty of large segments of their populations. (See also Figure 1 and para. 1.08 above.)

2.02 No country can escape the need to make strategic national and sectoral choices regarding human development. Each country-specific strategy is basically the result of choices in four arenas: how to integrate effectively investments in human development with macro-economic policies, demographic change and infrastructure; what balance to strike and trade-offs to make between competing demands among sectors and among different human development investments; what tasks the state should implement and what should be delegated to the private sector (including NGOs); and what institutional skills and capacities need to be developed to do all the foregoing.

### A. LINKING HUMAN DEVELOPMENT WITH THE EXTERNAL ENVIRONMENT

2.03 Capturing the returns to investment in human development requires a policy framework that ensures effective delivery of relevant services and efficient deployment of human capital. Absent such a context, schools and health centers will be under-used, scientific knowledge mis-directed, and scarce skills not applied where most needed. Worse, lives and material resources to counter ignorance and disease will be squandered. The decline of education and health systems in many countries in the 1980s demonstrates how ill-considered economic policies can sabotage good human development policies. Long-term human development policies must, therefore, be imbedded with: (i) macro-economic policies; (ii) demographic factors; and (iii) development infrastructure.

#### 1. **Macro-economic Policies.**

2.04 Human development strategies must be firmly linked to and even embedded in macro-economic policy decisions, which affect the supply and demand for human capital. Fiscal and regulatory policies affect supply while real sector, labor market, and employment policies affect demand through their impact on agricultural and industrial productivity, labor market regulation, investment incentives, regulation of informal-sector entrepreneurs, and employment promotion measures. Trade and industrial policies, as they adjust toward a more open economy, have impact on human development in many ways -- through shifts in relative prices (which can be devastating at the poverty threshold if compensatory measures are not in place), changing employment signals as a result of resource switching, and through competitive pressures to align skills and work practices with fast-moving international requirements. In the end, the effective utilization of human resources for economic development depends heavily on the productive utilization of skills; this requires employment generation and a well-functioning labor market to facilitate the flow of



### Box 1: Investing in Human Development: Some Success Stories

Korea is a strong example of the importance of combining sound economic management with investment in human capital. Good economic policies and a strong human capital base (itself the result of previous investment in education) led to high growth rate. This growth, combined with a continuing emphasis on education, especially at the primary level, was initially responsible for improvements in human development indicators. Government became even more active in the social sector in the late 1970s when external shocks to the economy led to a program of stabilization, liberalization and structural adjustment, and to new social programs and intensification of existing ones in order to protect vulnerable groups. Beginning in 1978, it extended medical insurance, which covered more than half the population by 1985, and developed high-quality public health and education systems. It also introduced free, or heavily subsidized, medical care to poor families, especially mothers and children. In addition, public works programs to provide employment to the poor during crisis periods were temporarily increased. Consequent to these interventions, human development indicators continued to improve even during the difficult years of 1980 and 1981, though at a temporarily slower rate.

Due to its commitment to human development since the 1940s, Costa Rica has attained a number of human development indicators close to those of Europe. A long history of democracy reinforced the pressure for human development programs, underpinned by a rapid expansion in the export of cash crops, like coffee, which helped generate income-earning opportunities. Primary health care was emphasized from the early-1970s, through rural and community health programs stressing preventative care and community participation. By 1980, nearly all Costa Ricans were covered by a variety of pensions, health insurance, social welfare and public health. This focus also led to an increase in the proportion of girls completing primary school (from 17% in 1960 to 65% in 1980) which helped bring down the infant mortality rate, in turn contributing to a decline in desired family size and fertility rate. Though a worsening economic situation contributed to a drop in primary school enrollments in the 1980s, infant mortality rates and malnutrition have continued to fall.

resources from less productive to more productive employment. The fact that macro-economic policies have different effects on people who are equipped to respond (because they are educated and have access to information, technology, resources, and markets) and those who are not (generally women and the poor), highlights the importance of human development policy. In some countries, such as Brazil and Pakistan, where economic growth has not been matched by attention to social services, the poor are not as well equipped as they might be to take advantage of economic opportunities. In other countries, by contrast, such as Sri Lanka, where human development has long been stressed but economic growth has been slow, the potential for raising the incomes of the poor has gone to waste for lack of economic opportunity. In terms of reducing poverty and increasing national income, the performance of such countries as Indonesia, Malaysia and Thailand illustrates the benefits of linking labor-promoting policies with increased investments in human capital.



## 2. Demographic Factors

2.05 Human development strategies must be sensitive to the interplay of demographic factors. Developing country populations are predominantly young (the median age is 19), are growing rapidly (at 3.0% per annum for all of Africa, for instance), and are urbanizing even faster. Mortality rates have fallen considerably, but not uniformly: some countries still report life expectancies as low as 45 years, and differentials within countries can be extreme. Persisting high fertility in many countries, and for the disadvantaged in many other countries, holds the threat that rapid population growth will continue for decades into the future, in many cases placing a heavy burden on the financing of human development (and other) programs, damaging the health and welfare of mothers and children, reducing choices available to women, and threatening the environment. Directly addressing such demographic problems, as well as coping with the momentum of past population growth, must be a cornerstone of human development policy, and requires a three-pronged approach: (a) reducing desired family size and increasing demand for contraceptin by improving the other elements of human development discussed in this paper, particularly female education and employment, and reduced infant and child mortality; (b) providing family planning services as discussed in the recent paper, Strengthening the Bank's Population Work in the Nineties, and (c) encouraging family planning in non-coercive ways by strengthening private incentives, such as raising the "cost" of large families through greater cost-recovery in education and housing (Singapore) or combining community involvement with direct benefits for households with fewer children (Thailand).

## 3. Development Infrastructure

2.06 The absence of an adequate physical environment -- housing, water supply, transportation, and communication networks -- adversely affects human development, both in urban and rural areas. First, services are difficult to deliver effectively, and second, human productivity is constrained, for example, by water-carrying and (especially female) child labor. Hence, human development policy must be supported by infrastructural development. This makes budget choices more complicated, even from the point of view of human development alone, and reemphasizes the need for cost-effectiveness and careful choice of priorities, as discussed in Section B below.

## B. BALANCING COMPETING DEMANDS

2.07 Driven by population growth and accelerated by high income elasticities, the demand for more (and more sophisticated) education and health care is rapidly escalating in the developing world. At the same time, most countries are faced with severe economic constraints, and the need to restructure economies or realign policies impinges on the resource base. Consequently, countries need to make long-term investments based on three sets of difficult policy choices: (a) how much and how to invest in human development, (b) what balance to strike and tradeoffs to make between competing demands among different human development investments, and (c) how to balance expansion and quality of services. The strategic policy choices that governments make ultimately reflect both technical and political factors. Countries respond to these factors differently, just as they differ in their political culture, knowledge of tradeoffs, and processes of decision-making.

2.08 In the first area of choice -- overall resource allocation -- countries that have succeeded in raising levels of human development have made adequate provision for the purpose in their budgets. But increased government spending involves a tradeoff. In this case, though, the tradeoff is not, for the most part, between economic productivity and social services. Investing more in human development is not only consistent with faster long-term growth; it contributes to it. It is a matter of targeting government action



on areas where externalities are significant, where private sector alternatives are not adequate, and where equity considerations are paramount.

2.09 But increased aggregate government spending on human development is not always the answer. The second set of choices -- for better allocation of expenditure within human development programs and more efficient use of funds -- is often more important. Here, again, governments must make hard decisions based on a set of criteria such as the existing levels of services, the likely relative contribution of different interventions to economic growth and social progress (ideally captured in some instances by economic or social rates of return), the cost-utility or cost-effectiveness of specific investments, private sector alternatives and cost-recovery possibilities of certain sectors, and overriding considerations such as equity, poverty alleviation, and bringing women more fully into the development process. There is, though, no unique algorithm to separate the "technical/economic" from the "political" dimension, nor are sectoral objectives usually scaled in terms of measurable indicators. Also, governments do not make these decisions simultaneously but incrementally. Consequently, many countries have been reluctant or unable to make these choices systematically, and base their policies instead on short-term political accommodation of powerful interest groups. The result in many instances has been overinvestment in hospitals and universities, ineffective publicly funded secondary technical schools, and intensive public funding for sophisticated curative procedures which carry little social benefit beyond the individuals affected. In effect, human development raises a set of "governance" issues related to those in the recent paper, Managing Development: the Governance Dimension.

2.10 The third area of choice -- balancing expansion and quality -- is underscored by the damaging erosion of the quality of many human development services, especially where governments have elected to provide broad access to free services without making available the resources necessary to operate the service at a minimum level of effectiveness. The result is primary schools where children hardly learn, health clinics that cannot provide the most basic services, technical schools where students do not acquire marketable skills, and universities that operate at the periphery of scholarship. Human development services must be provided at a minimum level of quality if they are to make a contribution to development. In many countries investment in the quality of existing services is likely to have a much higher pay-off than investment in new facilities. For example, recent research in Brazil found that a \$1 investment in quality-enhancing inputs in primary school in the impoverished northeast region resulted in a \$4 reduction in the cost per Grade 4 completer, through a reduction in drop-out and repetition rates. Such a strategy would imply a shift in the priority for allocation of resources away from capital investment to recurrent expenditures. Regional equity considerations and practical politics, however, often dictate the opposite measure.

2.11 In practice, choices between human development investments typically concern what services to provide or how fast to provide them, not whether to provide them. At the sector policy level, national authorities often confront the need to strike a balance between two competing, yet somewhat complementary, sets of priorities: (1) universal access to basic human services; and (2) selective opportunities to acquire advanced knowledge, skills, and technologies. In addition, ensuring the equitable access of women to both basic services and advanced training requires special attention. In many countries, a shift in public investment from higher-level services to basic health and primary education will serve both efficiency and equity objectives. Such a shift in emphasis does not imply a lack of importance of higher-level services. Every country striving for balanced economic growth needs a comprehensive education policy that includes spending on professional training and higher education, including science and technology. Similarly, hospitals are an essential part of a balanced health care system. These considerations, however, do not justify investing heavily and without cost-recovery in higher-level services that benefit the few at the expense of critically needed basic services that benefit the majority. Financial reform, including recovering the costs of higher-level services and greater reliance on alternative financing mechanisms, such as student loans and



health insurance plans, can free up resources that can be used to expand and improve the quality of basic services.

## 1. Universal access to basic human development services

2.12 Human development must mobilize the contributions of all people to economic growth and social development. Policies that *de facto* exclude large groups are inequitable and unlikely to be economically efficient in the long run. An important priority is, therefore, to design strategies that provide all people with opportunities to attain at least an acceptable minimum of physical well-being, education, and earnings. The experience of countries as varied as China, Colombia, and Zimbabwe illustrates the feasibility of major improvements in health and education, even at low-income levels, through a judicious and well-balanced use of resources (see Boxes 2 and 3).

### Box 2. Choices in Health Care

China has given priority to primary health care and invested heavily in providing safe water, improving sanitation, and assuring adequate nutrition to the vast majority of its population. Its success is reflected in an under-five mortality rate of 43 per 1,000 live births despite a per capita GNP of only \$290. In contrast, in Brazil, which spends an estimated 70% of health expenditure on curative hospital care, mainly in urban areas and especially in the South, and only 22% on preventive care, the under-five mortality is 85 per 1,000 live births, despite rapid growth and a GNP per capita of \$2,020. Similarly, the under-five mortality rate in Indonesia, where only 37% of the public sector's recurrent budget goes to hospitals, is roughly one-half that of countries which devote up to 80% of their health budgets to curative hospital services.

2.13 Basic human development typically includes four types of interventions:

- Improving the nutritional status of the poor, especially eliminating severe malnutrition among children and women in the reproductive age group. Nutrition programs are often most effective when specifically *targeted* at the most vulnerable groups and delivered in conjunction with health, child development, and educational interventions.
- Establishing primary health care systems that provide wide coverage at relatively low cost. This usually implies a community-based health care system that relies on non-physician health workers, is backed up by a strong referral system, and provides at least a minimum package of basic preventive and curative care, with special emphasis on interventions that promote *maternal health and child survival and development*.
- Providing broad access to family planning services. This approach is the most cost-effective way to reduce fertility in the short term and also lowers maternal and infant mortality. Mobilizing the private and public resources necessary to meet the unsatisfied demand for family planning services represents a major challenge, especially for the poorest countries. Stimulating and sustaining this demand will require visible and long-term political commitment, information campaigns, and strong financial support. In the longer run, female education and employment, reduction of child mortality, and increased income have a strong impact on fertility, as well as other benefits.



### Box 3. Choices for Basic Education

In concert with basic health services, Zimbabwe has focused on basic education. Since independence in 1980, its investment in education has continued to increase and in 1987 was nearly 8% of GNP, with 66% targeted to primary education. In the same year, both its (gross) primary and secondary enrollment ratios were greater than those of Brazil, whose GNP is nearly four times as large. Similarly, Sri Lanka's focus on primary education has paid off with achievement of almost universal primary enrolment of both males and females. By contrast, in Pakistan, which has a slightly lower GNP per capita, the gross primary enrollment ratio is only 52% males and 35% for females.

- Expanding opportunities for education, literacy, and training to meet the basic learning needs of all children, youths, and adults. This means universalization of primary education, (or in some cases, lower secondary where affordable), expansion of early childhood care and development activities, and adequate provision of adult literacy and training programs. Of particular importance is the emphasis on *learning*, i.e., the acquisition of knowledge and skills as the critical outcome, rather than on mere school attendance or completion.

## 2. Acquiring Advanced Knowledge, Skills, and Technologies

2.14 While it is important for countries to extend access to basic services to all, providing selective opportunities for acquiring intermediate and advanced knowledge and skills must be pursued *concurrently*, in order to advance development of their economies and harness new technologies. New technologies and production methods depend more than previous ones on well-trained, flexible labor, innovative, problem-solving management, and cadres of highly trained scientists and engineers, including some with sophisticated research skills.

2.15 Technological capability -- the ability to assess, select, adapt, use, and develop new technologies -- is rapidly becoming the critical determinant of a country's development prospects. Yet, science and technology are among the most unevenly distributed goods in the world, since they depend on the allocation of resources to long-term investments in the human and industrial infrastructure. Japan and Korea exemplify the importance of such early, selective investments. These investments necessitate combining improvements in quality and selective expansion of post-basic scientific and technological training, and developing a national capacity for providing continuous technological upgrading.

## 3. Expanding the Access of Women to Services and Resources

2.16 In setting priorities for human development, the role of women must be recognized as fundamental for economic progress, not just for gender equity. Women lack access to the information, productive resources, markets, and human capital they need to be productive. This requires top priority to assure access to education, reproductive health care (giving women control over their own fertility), agricultural extension, credit, and employment. Investments in women will increase job opportunities and earning capacity of the present generation of women, and of both sexes in the next generation. As women's



#### Box 4. Women at the Center of Human Development

The importance of gender equality is evidenced by data which show that, even in countries where boys had achieved near universal primary education by 1965, child mortality and fertility in 1985 were high where enrollment rates for girls lagged far behind those of boys (twice that of countries in which a gender gap did not exist). Women's role and status tend to be higher in those countries which have successfully lowered fertility and mortality, e.g., Colombia, Tunisia, and Zimbabwe, than in those which have been less successful, e.g., Nigeria and Pakistan. Low status of women and preference for sons, particularly in South Asia and parts of Africa, can result in inequitable allocation of food and health services, under-investment in female education, lack of reproductive choice and health care, and discrimination in skill development, technical training, employment opportunity and income.

economic potential increases, families become more willing to invest in the health and education of daughters (see Box 4).

2.17 Economic progress often does not translate automatically into more opportunities for girls and women. Special measures will be needed to ensure their access to basic services, advanced learning opportunities, and employment:

- Access to basic education will, in some cases, require special measures to overcome the reluctance of parents to send girls to distant schools, or to schools that lack privacy or have mostly male teachers, and to accommodate the traditional family responsibilities of girls.
- Good health services at the community level, combined with effective referral to health facilities at the next-highest level, are of particular importance for women. Women face special health risks during the reproductive years, especially if they bear many children. Nutritional support to low-income pregnant and lactating women is vital.
- Access to family planning services is crucial, especially in countries where fertility rates remain high.
- Increasing women's access to resources is vital to improve the ability of the current generation of women to earn more. It can be enhanced by ensuring access of rural women to technical innovations, credit, and equal opportunities in the labor market.

#### C. REDEFINING THE ROLE OF THE STATE

2.18 In most developing countries, governments have borne the major responsibility, often with considerable success, for the financing and provision of human development programs. For example, the direct cost of schooling is borne almost entirely by governments worldwide, and over 75% of primary and secondary school students in developing countries are enrolled in public schools. Governments also account for a major share in health expenditures in all regions except Asia. Finally, food subsidies intended to improve nutrition of the poor make up a large share of many government budgets; for example, in Morocco, such subsidies account for 10% of government recurrent expenditure. Government involvement has been



driven by two concerns. First, there is an "externalities" argument: left to the market, investments in human capital will be below what is socially optimal. This is reinforced by evidence of market failure where human capital is concerned. For example, even though a key determinant of a child's health is the investment its maternal grandparents made in the education of its mother, the child has no way of affecting its grandparents' behavior. Second, equity concerns dictate that access to basic human development programs be available irrespective of ability to pay.

2.19 The escalating demand for human development services can be expected to continue unabated. Few governments will be able to continue to provide across-the-board financing for all levels of human development. Nor should they. They will need to reallocate public funds to those activities where they are most critical and where there is no substitute. Government financing does not, however, imply government provision. In many instances, governments can consider providing resources to consumers to purchase what are essentially private goods (education and curative health services, food supplements) or contract with private providers to deliver certain services. There are, however, clear limitations to what the private sector can do, especially when the service is specifically targeted at the poor (primary education and health care), or produces uncertain benefits far into the future (scientific research).

2.20 The reasons cited above establish a strong *prima facie* case for public financing and, often, provision of primary level services especially when targeted at the poor. The externalities are significant and private providers are usually not interested in providing this kind of services, especially in rural areas. For secondary and tertiary level services, mixed strategies are usually optimal. The externalities associated with these levels have often been difficult to measure precisely, but they clearly justify some public subsidy. (Examples are technical training for strategic skills, graduate training and research, and referral hospitals.) Imperfections distort market signals and result in socially sub-optimal outcomes, and governments may have to intervene to offset the impact of these distortions. On the other hand, there are often private institutions that can deliver the services and respond to customer demand more efficiently than public providers. Equity issues associated with access to secondary and tertiary level institutions are addressed most effectively by tackling inequities in access to primary level services (for example, see Korea's case in Box 1) and by introducing special measures such as state-supported student loans and scholarships and regulated medical insurance plans.

2.21 In many instances, public sector interventions have been plagued with inefficiencies and the private sector's potential to contribute to human development has not been effectively mobilized. There has been, though, significant progress in moving away from existing practice toward more targeted government involvement and a systematic tapping of non-governmental alternatives where they are feasible. The increasing demand for human development services -- particularly expensive high-level -- will require a further shift in the following areas:

- Diversifying sources of funding. Non-governmental financing for human development can take various forms. Community construction of primary schools and health clinics is common in many parts of Africa and Asia. Non-governmental agencies have made major contributions to village-level health care (Zaire, Zambia, and Zimbabwe, for example). Partial cost recovery is quite common, especially in the health sector.
- Encouraging non-governmental provision where private (non-profit or for-profit providers) can deliver services efficiently and equitably. Mixed public and private provision or finance has worked well, for instance, in education in Chile, Kenya, the Philippines, and Zimbabwe; and in health care in Brazil, China, the Philippines, Rwanda, and Zambia. (See Box 5 for detailed examples.)



### Box 5. Private Provision of Education and Health

In Chile, rapid expansion of higher education has been made possible, in part, by drawing on private financial resources. Whereas before, universities depended totally on public funding, the 1981 reform of higher education, encouraged the establishment of new private institutions and introduced student fees; cost recovery now exceeds 25% of total revenue. Enrollment in private institutions increased from 12,000 in 1981 to 106,000 in 1989.

In the Philippines, the social insurance system pays the full cost of in-patient services in public hospitals, but patients are free to use the cash value of that coverage as a partial payment for services from private providers. In Brazil, firms can choose to retain their social security contribution and contract with prepaid health organizations for the provision of health services to their employees. This has fostered enormous expansion of health maintenance organizations.

- Using quasi-market approaches for public provision. Delivery will be most efficient when managers have the flexibility, incentive, and authority to respond to changing conditions and consumer preferences (e.g., user charges).

#### D. DEVELOPING NATIONAL CAPACITY

2.22 The ability to analyze needs, identify priorities, design policies, and implement and evaluate programs is a prerequisite for the formulation of a development strategy in any sector. Special problems, however, bedevil the human development sector. The dominance of public provision, the variety of services, and the need to provide technical support and supervision to a large number of clients in widely dispersed locations make the administrative and institutional demands especially daunting.

2.23 For most human development programs the critical constraints are managerial and institutional rather than technical. In many countries administrative systems need strengthening in three areas:

- Staffing at the operating level. Perhaps more than in any other sector, effective delivery of services depends on the quality and motivation of staff at the operating level. Providing them with adequate training, recognition and other appropriate incentives, professional support, and material resources is critical to program effectiveness.
- Flows of information. Planners and policymakers require reliable and timely information for effective decision-making. Establishing management information systems which quickly provide data on performance is critical for effective management. And local administrators and educators need to be provided with feedback on the relative performance of their units.
- Organizational and decision-making structure. Decision-making authority and resource allocation need to reflect the responsibility of operational staff for service delivery, and of central level staff for strategic planning, monitoring standards of performance, providing technical support, and disseminating lessons of experience. For middle-level staff, managing information and resource

flows between central planners and local operators and adapting plans to regional or district-level realities are key. Increasingly, as governments devolve responsibility for human development to local governments, there will be a need to develop local capacity to plan and manage human resource development, to stimulate various forms of community involvement, and to develop inter-governmental fiscal relations so that sources of local finance are adequate to meet local responsibilities. Here again the issues of redefining the role of the state are important. Leadership must come from the public sector, while drawing on the private sector (including NGOs) not only for implementation, but for important analysis and policy inputs at earlier stages as well.



## CHAPTER III -- IMPLICATIONS FOR THE BANK

3.01 How can the Bank best assist countries -- borrowers and non-borrowers -- in responding effectively to the strategic priorities outlined above? The answers in this chapter partly evolve from the extent of the Bank's preparedness, in terms of policy, structure, knowledge, and experience in responding to these priorities. They also derive from the Bank's ability to respond both to external constraints, such as variable demand for human development borrowing, and internal constraints, related to the rules governing Bank business and the ways in which its human capital resources are deployed. The resulting recommendations are framed in terms of a four-point agenda for action.

### A. EXTENT OF BANK'S PREPAREDNESS

3.02 In many respects the Bank is well poised to meet the changing needs of its clients in responding effectively to the strategic choices outlined above. Over time, the institution's view of human development lending has broadened, shifting from an infrastructural approach to sectoral and policy-based lending. The Bank's structure now allows for a more integrated and country-focused approach to human development enabling it to address and exploit synergies and linkages. Finally, decades of development work, in research and policy as well as in the field, have led to the accumulation of a respectable body of knowledge in sector analysis and in cost-effective responses to human development needs, particularly in the macro-economic context. These advances are all reflected in the expansion and diversification of human development lending.

#### 1. **Broadened Rationale for Bank Assistance to Human Development**

3.03 The Bank started human development lending roughly 20 years after Bretton Woods. Education lending began in 1963, followed by population in 1970, nutrition in 1977, and direct lending for health in 1980. Initially, the Bank's involvement was primarily based on narrow reasoning, centered on human-capital infrastructure and anchored in its pre-eminently project-lending approach. Additional layers of concern for equity and basic needs, and later on, for the social consequences of adjustment programs and the two-way relationship between growth and poverty reduction, have resulted in a broadened definition of the role of human development.

3.04 Skills-for-Productivity Rationale. The largest item in the Bank's (and other donors') human development portfolio, from the early 1960s until the mid-1970s, comprised skills-for-productivity projects which were usually based on manpower forecasts and claimed to generate identifiable skills, hence higher productivity and lifetime earnings sufficient to amortize the investment. Such thinking resulted in heavy lending in vocational education and diversified (academic/vocational) secondary education. In many cases, the expected match between skill training and labor market demand did not materialize, and academic performance was sacrificed. The rationale for education lending was subsequently expanded to include the benefits of basic education -- primary, adult, and non-formal training -- via basic literacy and numeracy, the promotion of attitudes favorable to development, and other beneficial outcomes.

3.05 Equity-with-Growth Rationale. Lending for population, health, and nutrition was anchored both in a productivity rationale and in the Bank's increased equity-with-growth focus. The Bank began population lending in 1970 because high population growth rates in many developing countries posed a serious impediment to their development, and especially to their attempts to alleviate poverty. Lending for nutrition, instituted in 1977, was based on recognition of its importance to economic development and on its being necessary to achieve health, population and education objectives. Particular priority was given to food-insecure populations, notably pregnant women and children. Direct lending for health, beyond



components in projects in other sectors, was begun only relatively recently, in 1980. In the 1980s, the complexities of labor markets, futility of rigid input-output planning, and overwhelming equity and cost-effectiveness arguments in favor of basic education were gradually recognized and Bank lending patterns shifted toward the latter. The equity rationale led to a significant increase in the provision of basic services, though sometimes at the expense of quality. Moreover, issues of demand for and utilization of services, which are embedded in the broader macro-economic context, could not be well addressed within the technical confines of project lending.

3.06 The equity-for-growth rationale gave rise, belatedly, to a strong emphasis on the role of women in development. Due to their function as family caretaker (bearing children and caring for their health, nutrition, and education) and contribution (existing and potential) to the workforce, investing in the human capital of women has become an increasing focus within the Bank.

3.07 Adjustment-and-Social-Impact Rationale. From the start of adjustment lending in 1980, and especially since 1985, the third major force shaping the Bank's involvement has been the social impact of adjustment. The Bank's comparative advantage has come to relate increasingly to advice and support for appropriate economy- and sector-wide policies and the design of sectoral investment strategies within the context of the overall policy environment. This is true regardless of whether the lending instrument chosen is of an adjustment, hybrid, or sector-investment character. The initial link between macro-economic adjustment and human resource operations was essentially *reactive*. Economic crises in many countries squeezed the incomes of the poor and human development programs severely. In many cases, deflationary fiscal policies undertaken as part of adjustment programs exacerbated the problem in the short term (although in other cases increased aid flows enabled a real increase in social services programs). In response, in the mid-1980s, adjustment programs began to include: first, early analysis of such measures' likely impact and, second, a conscious effort at redress or the recasting of adjustment programs in that light. Typical examples are giving high priority to basic social services in public expenditure programs, food subsidy phaseouts involving targeted nutrition relief for the poor, and emergency public works and compensatory social service programs. More recently, especially resulting from *WDR 1990* and growing experience with ex-centrally planned economies, the *proactive* link between human resource policies and adjustment is becoming better understood. The path of adjustment can depend on the credibility of "safety net" mechanisms and incentives for labor market mobility, and the critical supply response ultimately hinges on the efficient movement of workers, knowledge, and skills, as much as on that of goods and financial assets. In addition, the Bank and its borrowers are increasingly seeing adjustment as relevant not only to growth, but to social objectives as well. This implies sector reform programs that go far beyond what is required for the short-term success of the economic side of adjustment programs.

## 2. The Bank's Integrated and Country-Focused Structure

3.08 The 1987 reorganization resulted in two changes that realigned the Bank's structure with its evolving rationale for human development: the structural integration of human development activities and the consolidation of all sector analysis and lending operations at the country level. Unlike some other boundaries redrawn in the name of administrative efficiency, unifying human development responsibilities was explicitly intended to raise the visibility and criticality of human development in the country dialogue and fully integrate it in the design of country assistance strategies, as well as to capture the complementarities and under-exploited synergies among the disparate sectors. At the same time the technical base of each sector needs to be maintained and strengthened, and the specific operational interventions must reflect, in addition to intersectoral synergies, sound sectoral responses.

3.09 The country focus permits a better understanding of country-specific constraints and opportunities than was possible before 1987, when contacts between project staff and macro-economists in



the programs divisions were limited. Above all, it involves more awareness of the demand-side forces pressuring for government actions and their rationale. Nowhere is this more apparent than in the sharpened debates over rationalization of financial support to public tertiary-level hospitals and higher education. Staff responsible for human development operations now form an integral part of the country department team. This integration facilitates both first-hand knowledge of country conditions and design of sector work and lending operations based on familiarity with country strategy, illustrated in a recent sector adjustment operation for higher education in Nigeria. Better understanding of the institutional landscape also may result in greater success at weaving the contribution of private and non-profit agents into project design. Approaches that help governments subcontract responsibilities on a wholesale basis to NGOs have been tested successfully in a few countries; for example, in Bangladesh, a sub-component of the General Education Project supports a program to assist NGOs and community groups to develop experimental programs to make the government primary schools more attractive to the poor and to girls.

3.10 Linkages between human development and the macro-economic framework have been forged in many different ways (see Box 6). Greater regard is now given to social expenditure analysis (recognizing that human development accounts for more than half of civilian discretionary expenditure by central and local governments in many countries) and freestanding studies on poverty. In addition, a number of recent structural adjustment loans (SALs) have complementary social action arrangements. In the same vein, parallel social investment fund (SIF) projects, some instituted simultaneously with SALs, have been introduced. Social action program sector work and projects, either as companions to structural adjustment or freestanding, address issues of cross-sectoral as well as sectoral concerns. The issue of labor retrenchment due to public enterprise restructuring is receiving increased attention. Finally, another area where the Bank has attempted to highlight and exploit the connection between human development and the macro-economic framework is in its concern for food security in Africa, focusing on the role of women as food producers and income-earners. There are cases, however, where horizontal communication within country departments occasionally fails, especially in the sense of not ensuring the incorporation of human development priorities in country strategies. In addition to the lack of quantifiable goals for social progress, which are difficult to derive and often missing in country strategy papers, symptoms include relatively poor coverage of population issues in country economic work and insufficient emphasis almost everywhere, including PRE, on labor market regulation and employment policies, which should lie at the center of the adjustment debate. Moreover, progress has been slow on the treatment of women's issues in Bank operations, although recently there has been striking progress. (As a result, work in this area in PRE is increasing up, starting in FY92.

3.11 Structural changes have also set the stage for the Bank to exploit the underlying synergies among health, education, nutrition, family planning, and women's development, and, most importantly, the linkages between the country macro-economic framework and human development, both at the aggregate and micro-incentives level. For instance, there are now better opportunities to: (1) work on both the supply and the demand side of the fertility equation: on the supply side, through family planning services, often in connection with the provision of better mother and child health care, and on the demand side, through such measures as improving female education and access to jobs; (2) focus more effectively on complementary elements of child development, such as maternal and child health interventions, education, household "food security" and environmental health (linked with water supply and sanitation); (3) integrate education and training interventions with labor market requirements, including those for women's involvement; and (4) link investment in the human capacity and basic needs of the poor with measures to increase labor productivity and targeted "safety-net" assistance, particularly in the context of urban development programs.



### Box 6. Linking Human Development with the Macro-economic Framework

*Public expenditure reviews* permit a careful examination of the adequacy of human development financing. In Morocco, a review revealed that social expenditures as a percentage of GDP have gradually decreased over the past decade and that existing expenditures on education, health, and nutrition were missing the most needy groups. The study's recommendations have spurred a number of human development loans, and a SAL with an explicit social expenditure monitoring framework and safeguards for vulnerable groups.

*Structural adjustment* is another area where the integration of human development objectives with economic objectives becomes important. The Bank is increasingly recognizing the need to protect and strengthen human development within the structure of SALs: In Togo, the Fourth SAL includes a built-in provision of adequate budgetary allocations to the health and education sectors, making approval of the budget shares to these sectors in FY91 and FY92 a condition for second and third tranche release respectively. Senegal's Third SAL incorporated specific teacher targets within civil service reforms under structural adjustment, also a conditionality for tranche release. The Bank has also developed other project mechanisms to ameliorate the effects of economic crises or adjustment, including parallel social investment fund projects such as the Bolivia project, or follow-up projects to correct the social costs of earlier structural adjustment, like the Social Sectors Development Project in Jamaica.

*Public enterprise restructuring* is also a nexus between macro-economic work and human development. Economic and sector work conducted in Poland has flagged health care as a casualty of such restructuring. With the closing of non-productive public enterprises, until now key providers of health care, many individuals will be without access. Under a recent Bank loan, the government is providing a "safety net," supplying health services to workers who are laid off. Reports and project work to assist governments in setting *social action programs* value linkages between country-wide issues and social services. A recent report to develop a social action program for Pakistan identified issues at the national level (problems in policy formulation, planning, financing, etc.) that are important for the success of human development investments. It then analyzed sector-specific issues in primary education, basic health care, population and family planning, and rural water supply and sanitation. Recommendations included both country-level and sectoral actions toward improving basic social services.

Rwanda is preparing for structural adjustment, so the government requested that a social action program be developed parallel with the adjustment program, to be implemented simultaneously. The Bank is assisting the government to prepare such a program, which will then be discussed at a Round Table with relevant donors to determine what they will fund; the Bank will act as the residual financier.

3.12 The importance of synergies among human development components is increasingly recognized and taken into consideration in the Bank's work. For example, recent operations tie together education and school health and feeding programs. These are deceptively simple connections unlikely to have been implemented prior to reorganization. In addition to project design, recent sector work has attempted to integrate analysis of a number of components of human development, as sector studies in Malawi and Tunisia illustrate. Similar improvements would be desirable across SODs, especially in the



relatively weak links still existing in some parts of the Bank between nutrition and agriculture, science and industry, and health and water supply, all of which should be natural allies.

### 3. Accumulated Knowledge Base

3.13 The Bank, during decades of sector work and lending operations in most countries, and extensive research and policy work, has developed and used advanced analytical tools and accumulated a significant body of knowledge and experience. For instance, increasingly sophisticated analytical methods have been applied to study the efficiency of resource allocation (rate of return analysis in a number of countries), as well as cost structures in education (Asia Region comparative study), health insurance (Korea) and hospital resource use (major PRS study), examination of social security actuarial balances and cross-subsidies (Brazil), university funding intermediaries (Algeria, Nigeria), and the cost-effectiveness of health interventions (PRS study of disease control priorities) and nutrition programs (Brazil, India). Such analytical methods have given greater clarity to the issues related to recurrent and capital costs and public and private sources, thereby enabling more informed decisions regarding complex tradeoffs. One relatively new and important analytical tool is the Living Standards Measurement Survey (LSMS), that has proved helpful for poverty-oriented, cross-sectoral policy analysis. LSMS-type methods are being applied in several countries by PHRWH or under the African Social Dimensions of Adjustment (SDA) initiative.

3.14 The extensive body of policy and research work, aided in part by the analytical tools discussed above and extensive field experience, has generated significant understanding of the relationship between investments in human capital and economic development, synergies among these investments, the kind of services and aspects of their delivery that contribute most effectively to human development, and the design and implementation of different investments. These understandings have improved the Bank's ability to respond to country needs. For instance, the sub-Saharan Africa Education Policy paper and recent policy papers on primary education and on vocational education and training zeroed in on quality issues. Similarly, PHN research on impediments to contraceptive use and effective family planning programs has enabled better design and targeting of family planning services; a study on micro-nutrients expanded knowledge of cost-effective interventions for improving nutritional status; and research on hospital efficiency and cost-recovery supports as feasible the reallocation of health resources to lower-level facilities. Quality concerns are increasingly dominant in both education and PHN projects, as well. For example, the design of education projects has shifted rather dramatically during the past decade from support for physical infrastructure that almost exclusively characterized education lending in the 1970s. Two-thirds of the education projects approved in FY90 supported the provision of textbooks, 85% included support for in-service teacher training, and 30% supported the establishment of systems for assessing student achievement. PHN projects have especially focused on improving internal efficiency and rationalization of service, resource mobilization, and institutional capability to formulate and implement programs.

3.15 Certainly there are limits to the Bank's expertise, due to gaps in research and/or experience: in education the institution is now beginning to build its knowledge base in the areas of higher education, labor markets, and science and technology; in population, the relationship between rapid population growth and environmental degradation has only recently come under study; in health, numerous gaps in knowledge exist, including the levels and trends of overall mortality, age-, gender-, socioeconomic- and disease-specific mortality, the major risk factors for diseases, and the costs, effectiveness and impact of different preventive and case management approaches; and finally, in nutrition, the Bank's research on the long-term effects of early childhood malnutrition is meager. And, very importantly, project impact evaluation is not systematically and consistently carried out to improve subsequent project design and implementation.



#### 4. Expansion and Diversification of Lending

3.16 Human development lending has been one of the fastest-growing components of the Bank's portfolio for the past five years. It accounted for 11.7% of total commitments in FY90, up from 2.8% in FY87. Lending numbers and volume show a strong upward trend, as documented by figures for three years before and three years after reorganization (see Table 1 and Figure 2.). In terms of lending volume, the percentage increase for PHR in FY88-90 over FY85-87 was 74.0%, compared to a 26.7% increase in total Bank lending over the same period. Concurrently, the number of lending operations in PHR increased by nearly 30%, while Bank-wide it declined by 5% (see Annex V). The largest increase took place in PHN, although absolute lending for education was still more than twice as large. By region, the largest increase in number of education projects was seen in Asia, while Africa had the largest increase in number of PHN projects (see Annex III). A significant diversification into new areas, especially social action funds and broader social safety-net initiatives (such as Bolivia and Jamaica), science and technology (e.g., Brazil and China), and employment services (as in the case of Tunisia and Poland), has occurred in the last three years, and these trends are reflected in the upcoming operations pipeline.

3.17 The significant expansion in lending demonstrates that countries are no longer as reluctant to seek Bank assistance for human development or to borrow for it on IBRD terms. Both IDA and IBRD (and regional development banks) borrowers are now requesting expanded assistance in every facet of human development programs, including some (e.g., family planning) where grant assistance used to be more readily available.

3.18 Two related trends seem to effect this increase in demand for Bank lending. One is the increased targeting of the limited pool of grant aid on the lowest-income countries, given the enormity of their basic needs, resulting in increased demand by middle-income countries for Bank support. The other is the changed perception of the role of the state (Chapter II, Section C above) which is convincing more and more governments to shift their investment budgets from areas where the private sector is expected to yield greater efficiency, especially industry, utilities, and agriculture. The state should concentrate on core responsibilities, especially "public goods," like basic education, family planning, nutrition, preventive health, and research, as well as transport and communications infrastructure. These factors are driving a significant shift in the composition of demand for Bank support, whose effects on Bank-wide and human development programming are only just beginning to be seen.

#### B. UNFINISHED BUSINESS

3.19 Notwithstanding the significant gains in the Bank's institutional ability to promote human development, much remains to be done (as pointed out in section A above). Achievement obviously depends on the priority accorded such investments by developing countries and by other international agencies. While many countries increasingly recognize human investments as key to their development, some countries, and many individuals in all countries, still make negative comparisons between these investments and those in more immediately "productive" sectors. Many also have difficulty with human development's generally long-term payoff period and inherent imbalance in recurrent/capital cost, which implies capitalizing what appear to be short-term, consumption-related expenditures. Moreover, progress in many countries is slowed by limited absorptive capacity and political constraints. In many countries, ministries dealing with human development are traditionally weak. Governments are often reluctant to adopt rapid wholesale reform options from available alternatives, but instead prefer to experiment carefully at the margin, gauging public reactions and adjusting the next decision accordingly. Choices are influenced by politically rational responses to pressure groups (e.g., teacher unions, medical lobbies) with whom donors are not usually in frequent contact, and whose agendas may cut across the proposed reforms. A holistic

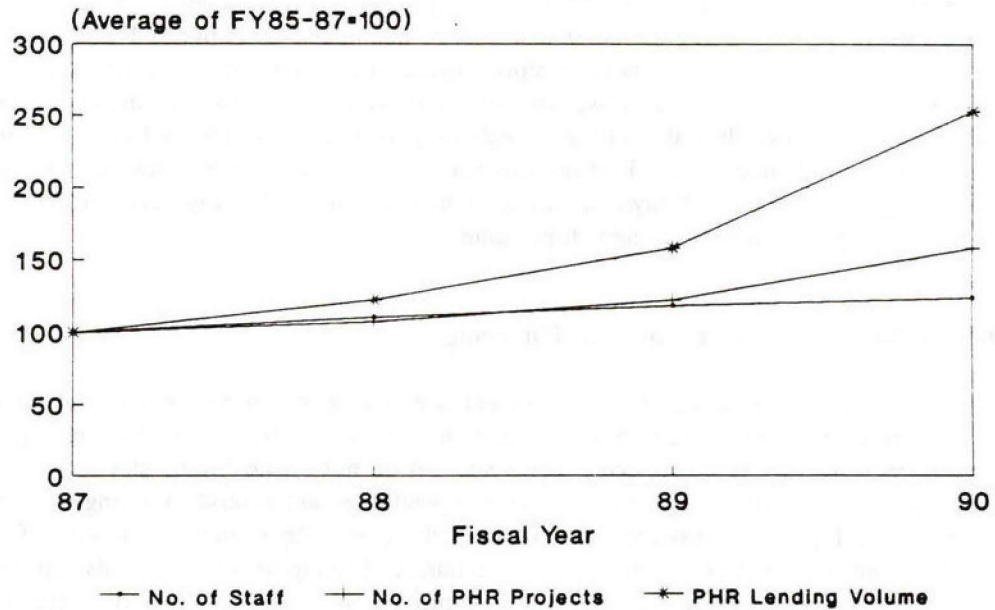


Table 1. Human Development Lending, FY85-90

	Pre-reorganization FY85-87	Post-reorganization FY88-90	Increase (%)
<u>Number of Projects</u>			
Education	52	61	17.3
PHN	24	31	29.7
Other*	0	6	N/A
<b>Total</b>	<b>76</b>	<b>98</b>	<b>28.9</b>
<u>Lending Volume (\$ million)</u>			
Education	2,211	3,315	49.9
PHN	664	1,668	151.2
Other*	0	40	N/A
<b>Total</b>	<b>2,875</b>	<b>5,023</b>	<b>74.7</b>

\*Social development projects.

Figure 2  
Index of PHR Lending and Staffing





approach to reform, often favored by the Bank, may be viewed as politically infeasible. The hidden political cost of being perceived to negotiate policies with the Bank may be prohibitive in certain cases, even when the financial costs are well accepted. Progress is evident in understanding and allaying these concerns, but more needs to be done.

3.20 Aside from country-level hurdles, the Bank faces certain major limitations that will impede its ability to face the challenges of the 1990s: traditional and restrictive lending practices do not sufficiently exploit synergies and linkages at the country level and resist large-scale funding of recurrent and local costs and limit monitoring and impact evaluation; outside the lending cycle, the Bank cannot adequately serve the needs of member countries for advice on human development policies and investment; and in house, demands on sectoral staff have strained capacity to the limit. These constraints are examined in turn.

#### 1. Traditional Bank Lending Practices

3.21 Lending practices, while evolving rapidly, are still in many respects poorly articulated regarding demands intrinsic to human development. Despite the Bank's structural integration and country focus, sector work and project operations do not sufficiently and systematically exploit the underlying synergies among human development components, nor the linkages between macro-economic strategies and human development at the country level. While the traditional specific investment loan (IL) format, reflecting the classic "investment" view, is an appropriate mechanism for the design and implementation of specific investments (usually capital-intensive), it is restrictive in dealing with the complexities of strategic choices demanded of countries (Chapter II) and the overall sectoral reforms and corresponding expenditure demands (capital and recurrent) as discussed in paras. 3.22-3.24 below. Other lending instruments often provide a better tool for meeting these objectives. For instance, sector investment loans (SILs) focus more on policy and institutional objectives and devolve responsibility for detailed project design, appraisal and supervision to the borrower. Sector adjustment loans (SECALs) support comprehensive reforms of the sector. Hybrid loans combine the adjustment features of a SECAL with the investment features of an IL or a SIL (see Box 7 for illustrations). These instruments, however, have not been widely used in the PHR sectors. For instance, during FY88-90, 75% of lending operations in education and 84% in PHN were ILs. In both cases, however, the use of the other instruments has increased between FY88 and FY90. It should be acknowledged, though, that the more comprehensive and complicated nature of SILs, SECALs, and hybrids put a strain on staff resources (discussed in more detail below) and are more difficult to design and implement, particularly regarding the setting of realistic performance targets and the development of reliable performance monitoring indicators. Perhaps the major constraint is that quick disbursing loans must be justified by short-term balance-of-payment needs, whereas human development reforms typically mature through the economy over a much longer timeframe.

#### 2. Restricted Recurrent and Local-Cost Financing

3.22 Investments in human development are not capital-intensive and do not require massive infusions of foreign exchange. They need to be sustained, however, by recurrent development expenditures, i.e., expenditures that need to be funded every year, but do not create bricks and mortar or other tangible wealth-generating assets. In many instances, these expenditures are central to a long-term push to build the human part of development infrastructure. In fact, there is little economic rationale for the distinction between capital and recurrent costs when applied to human development investments; all these expenditures contribute to the creation of an intangible asset -- improved skills and productivity. However, the present approach to lending for human development, predominantly articulated in the 1960s and 1970s, is deliberately patterned after the Bank's experience with lending for infrastructure projects. It has created a



### Box 7. Sector Lending Instruments

A *sector investment loan* for primary education in Colombia was introduced in FY89. The project combines elements of traditional investments (in curriculum reform, school furniture, textbooks, teacher training and student assessment systems) designed to create new education capacity with policy reform (aimed at raising the share of non-personnel inputs in recurrent expenditures, introducing a new student promotion policy, raising the share of resources devoted to primary education, encouraging local financing, and assessing alternatives for financing higher education), as well as institutional development. The bulk of the responsibility for project design, implementation and appraisal as well as planning, monitoring and evaluation lies with the country. To strengthen program implementation, the project provides support for selected improvements in management, information, planning, budgeting and financial management, and local implementation capacity.

A *sector adjustment loan* in Guinea was recently undertaken to support implementation of a comprehensive package of educational policy reforms aimed at preventing a major deterioration of the education system and creating a basis for the sector to contribute to medium-term socioeconomic development. This is to be achieved through: (a) improving sector strategy formulation and managerial capacity; (b) rationalizing public expenditure in the sector, (c) launching a primary school construction and rehabilitation program; (d) increasing the relevance of education to employment prospects; and (e) addressing gender issues with programs of special emphasis. The loan will reinforce the overall macroeconomic adjustment program and extend critical reforms into the sector; it will ensure the protection of the education system during a period of austerity and provide support for measures to alleviate the burden of adjustment on most vulnerable groups. Disbursement will be against general imports not specifically tied to the sector.

A *hybrid loan* intended to support a comprehensive package of national health policy reforms was initiated in 1989 in Benin. The loan supports the policy reforms through a combination of quick-disbursing funds and program investments intended to help the government to improve the efficiency of the country's health care system and expand service delivery in rural areas. The quick-disbursing element provides for 100% reimbursement of the foreign exchange cost of general imports subject to a negative list; withdrawal of proceeds is to be done in three tranches over the first three years of implementation, with each release conditional upon the achievement of satisfactory progress in implementing certain policies. Disbursement for the first phase of civil works (rehabilitation) is linked to first tranche release conditions, and disbursements for the second and third phases of the civil works are contingent on successful implementation of priority health care programs in the districts where health facilities were previously rehabilitated.

strong emphasis on rigorous analysis and estimation of project investment costs, but a reluctance to finance recurrent and local cost, even where this is demonstrably the most cost-effective way to support human development.

3.23 Current guidelines on recurrent cost financing provide wide latitude. As a result, practice in defining and financing recurrent cost varies widely across departments and has rarely explicitly recognized the developmental importance of recurrent expenditures. For example, some education projects incorporate salaries of teachers in new schools, while others do not include salaries in project cost. Unlike large repairs,



maintenance expenditures are rarely project-funded. In nutrition, food supplements under certain conditions are eligible for Bank financing, although the line between what can be financed and what cannot be financed, remains unclear. The restriction on recurrent cost financing reflects the fact that in the appraisal of many Bank-supported human development projects, analysis of recurrent cost is limited to incremental recurrent expenditure generated by the specific investment rather than the whole array of sectoral recurrent budgetary needs. This is especially the case with specific investment loans, for which incremental recurrent costs are often negligible as a proportion of the national recurrent budget for human development as a whole. Since most Bank loans for human development are of this type, the Bank's involvement in analysis and policy dialogue regarding sectoral recurrent budgetary allocations and needs has been limited. In recent years, though, the Bank has become involved in public expenditure reviews, including the review of expenditures for human development which constitute a significant portion of the national budget. However, with the exception of sectoral adjustment operations, the increased analytical attention given to the level and efficiency of recurrent expenditure has rarely been reflected in project appraisal and conditionality.

3.24 The restriction of lending to direct and indirect foreign exchange content in middle-income countries is a further obstacle to broader Bank support for human development. It creates extremes, where urgent poverty-related support (labor-intensive in most cases) takes second place to computer systems and foreign advisers which are sometimes necessary but never sufficient. The present exclusion of "earmarking" (including for local-costs) in adjustment operations, and the need to make a short-term balance-of-payment case for SECALs predicated on human development reforms which have a much longer time horizon, greatly restrict the use of these instruments. Public expenditure conditionality in adjustment lending and increasing the policy content of sector investment lending can help, but are not full substitutes.

### 3. Insufficient Attention to Strategic Advice and Capacity-Building

3.25 The Bank currently is inadequately equipped to respond to demand for human development advice not linked to the lending cycle. Yet it is increasingly clear that transferring ideas and building institutional capacities as much as financial intermediation are fundamental to the Bank's business of promoting developmental change. While the transfer of know-how is often achievable within the project cycle, the conventional bundling together of lending and technical assistance has serious limitations. There is no efficient mechanism, no internal or external market, for borrowers to signal their demand for technical assistance, so they may either receive too much or too little advice. In addition, institution-building is often treated as an add-on within the lending program.

3.26 Human development suffers from these limitations. The need for capacity-building in elaborating population strategy, measuring living standards, or strengthening educational assessment, for example, has no visible lending outcome per se, but the needs are pressing nonetheless. Human development is above all, experience-based, attitude- and contact-intensive, and heavy on intangibles. Related sector work and technical assistance should not be viewed as a "loss-leader" in a country program, out of equity concerns alone, however. It has as high a developmental payback as any alternative use of resources. This critical, long-gestation, but low-visibility output can be easily overlooked in a narrow focus on lending.

### 4. Inadequate Staff Deployment and Support

3.27 PHR sector data from the 1990 Staff Attitude Survey clearly indicate that the overwhelming majority of PHR staff are committed to the Bank's goals, have a high opinion of their work, and believe that their work groups accomplish their goals. In addition, the majority (84%) are satisfied with their work; and most of them enjoy their jobs, have a sense of personal accomplishment, and feel that they have the opportunity to use their experience, skills, and training. However, PHR staff reported a higher stress level



*PHR has more  
recycled Bank  
generalist staff  
than any other  
Sector.*

than Bank-wide ratings (62% to 54%). Higher-level PHR staff report significantly more pressure in their jobs and a more disruptive impact of work on their health, families and social life, and pursuit of outside interests. More than their Bank colleagues, PHR staff consider the amount of work expected of them unreasonable and that conflicting priorities and unexpected changes negatively affect their work. They also are less satisfied with the number and composition (skill, experience) of staff in their work groups.

3.28 This worrisome level of stress within the sector may be partially the result of self-generated expectations that have run ahead of capacity. But it is certainly related to real demands: (a) excess output targets compared to staff growth (significantly more than it is Bank-wide, see Figure 2 and Annex V), (b) changes in lending patterns that require new sector policy and institutional skills, and (c) new areas, e.g., social investment funds, integrated sectoral components that place staff in uncharted territories. These pressures are likely to continue in the 1990s as PHR continues to grow and diversify. Staff will have difficulty coping with these demands if the present workload, technical support, and staff development patterns persist.

3.29 Work Load. A fundamental objective of Bank reorganization was to ensure that country-specific needs determine the sectoral composition of sector work and lending program. Under this demand-driven system, PHR sector work, lending operations, and lending volume have grown dramatically (as detailed in Annexes III and IV), and are projected to grow even faster under the FY91-93 business plan. Within the envelope of overall operational resources, the CAM budget process has matched fairly well each division's initial "demand" for work-program staffweeks (sometimes increased later) with aggregate "supply" of resources (SOD staffweeks, support from TD and PRE, plus resources to hire consultants). The rapid growth in work program has essentially been accommodated by an increase in the budget for consultants. For instance, in FY91, 27% of PHR resources in the Africa region were in consultant funds, compared with 17% for the region at large. Similarly, PHR dependency on consultants in Asia was 35% compared with a regional average of 29%. The advantages of flexibility in a relatively large consultant budget are offset by serious concerns: First, the Bank's experience is not pervasively reflected in country dialogue and lending operations when consultants account for the majority of mission and task teams, as is increasingly the case. Secondly, PHR task managers' time is increasingly consumed in recruiting consultants and editing their contributions to conform to Bank substance and style. With growth in positions severely limited, PHR demands could essentially only be met by inter-sectoral transfers. Consequently, only some position transfers have been made, with varied approaches and uneven outcomes. This explains the slow increase in PHR staffing, which contrasts sharply with the earlier cited increases in numbers and volume of lending operations (see Figure 2). The situation can become worse with the faster growth projected under the FY91-93 business plan (See Annexes III and IV).

3.30 Technical Support. The heterogeneity of the sector and its rapid growth have attracted generalists from other areas of the Bank. Only one-third of the staff are technical specialists in PHN and education, distributed over many units, leading to a lack of "critical mass" for the exchange of ideas (See Annex VI). Moreover, the deployment of staff over many units makes cross-fertilization and dissemination of best practices inherently difficult. While different regions are experimenting with peer review and quality assurance mechanisms, more needs to be done to ensure utilization of accumulated Bank experience.

3.31 Staff Development. Staff development is critical to maintaining expertise and vitality. PHR has been relatively aggressive in organizing training in the form of flagship courses (like the Stanford program for education and the population, nutrition, poverty, and Women in Development training programs) to offer advanced study of sector developments. In addition, there is an active program of technical seminars to expand professional skills, "brown bag" seminars to provide access to outside knowledge and disseminate best practices, and newsletters to provide information on innovative projects and research findings. However, three issues require continued attention: (a) high staff turnover (more than 40 new staff



join every year mainly to replace staff leaving the sector) which necessitates systematic sectoral induction; (b) need for a systematic program to maintain skills of existing staff; and (c) lag of internal expertise in skills on fast-moving topics, such as social security, labor market policies, technology development, and quantitative analytical methods. Aggressive international recruitment coupled with advanced training of staff are needed to redress the situation.

## 5. Limited Monitoring and Impact Evaluation

3.32 Monitoring and evaluation in the human development sectors suffers from two important deficits: insufficient information about trends in social development, and lack of empirically sound evaluations of impact. *WDR 1990* demonstrates that, while trend data are available for a few social sector indicators (e.g., wages, life expectancy, childhood malnutrition, under-5 mortality rates), they are completely lacking for others (e.g., learning achievement). Trend data are more common for input indicators (e.g., school places, hospital beds) than for output indicators, but these do not provide information about the long-term effects of human development programs. Nor is this information provided by empirically sound impact evaluations, which are rarely planned and even more rarely implemented. As a result, both the Bank and its borrowers have little empirical evidence of the direct effect of their investment programs on social sector development. For example, only 5% of studies supported through Bank education loans examined the effect of the education investment program on students' learning achievement. Some impact evaluations have been undertaken with Bank Research Committee support, but few Bank lending operations in PHR have been subject to any externally sponsored evaluation. A standard policy of setting up and maintaining well-designed monitoring and evaluation schemes of human development projects, including the establishment of a good baseline, is necessary. With only modest up-front planning and resources, the Bank can capture opportunities to learn more about the impact of social interventions and the effects of Bank policy than it will ever learn from *ex post* econometric analysis without this up-front planning.

### C. AN AGENDA FOR ACTION

3.33 The scope for diversifying and expanding the Bank's human development assistance, in response to country demand, is enormous. And, as the largest provider of external funding for such programs, its international leadership responsibilities are daunting. Yet, the Bank must recognize that in order to be effective it cannot do everything; it must be selective in the targetting and modalities of financing. The underlying premises in this section are that the Bank must concentrate its efforts on areas central to its mandate as an economic development institution and bring its unique perspective and expertise to bear on the international human development agenda and on the design and implementation of country-specific strategies. To leverage its comparative strengths in the human development sector, the Bank must: (a) concentrate on support for broad programs of reform and development; (b) relax restrictions on recurrent and local-cost financing; (c) facilitate advisory support unrelated to lending; (d) maintain high-quality expertise, and (e) improve impact evaluation.

#### 1. Concentrate on Support for Broad Programs of Reform and Development

3.34 As elaborated in Chapter II, in order to attain acceptable levels of human development, countries need to undertake broad-based strategic reforms and actions: link human development with the external environment (macro-economic policies, demographic factors and infrastructure development), balance competing demands, re-define the government's role, and strengthen their institutional capacities. In the face of expanding needs and demands, yet possessing limited resources, the Bank must apply its comparatively strong skills to critical pressure points that assist countries in meeting these challenges. For this reason, and to exploit the powerful synergies that exist within the sector, the Bank's trademark output should be pitched at the level of sectoral analysis and change. Lending practices, while evolving rapidly,



are still in many respects a reflection of the classic "investment" -- bricks and mortar -- view of human development, and lag behind present strategic thinking. There is, however, a wide range of instruments which are successfully dealing with the complexities of strategic sectoral choices demanded of countries and overall sectoral reforms including corresponding expenditure demands: ILs with policy content; SILs, including those with time slices of sectoral programs (de facto a slow-disbursing adjustment credit); SECALs, where the conditions for adjustment lending are met; hybrids (or some combination over time of SECAL and ILs/SILs) that combine adjustment features with longer-term needs of investment and institution-building; and coverage of social sector issues (but not "earmarked" financing) in SALs. In countries where there are SALs or public expenditure reviews, human development reforms can be given emphasis (including in public expenditure and policy conditionality in SALs). In all countries, social sector reform can be included or emphasized in the overall country dialogue.

3.35 Further shifts should be encouraged in the use of lending instruments that place increased emphasis on policy and program reforms and exploit the linkages with the macro-economic environment and among human development components. *Analytically*, the implications of this are that sector work will need to be (i) firmly grounded in macro-economic strategies for growth and poverty alleviation, (ii) based on in-depth technical analyses of sectoral constraints, and (iii) reflect the relevant lessons of research and experience. Moreover, *appraisal of lending operations* should concentrate wherever possible on: quality of the proposed sectoral policy framework; the related public expenditure program, including conditions for financing specific programs; and the institutional and managerial capacity to execute the proposed program.

3.36 The success of moving toward broader sectoral approaches depends on both the Bank's operational expertise in economic and technical policy analysis and institutional appraisal, and the borrowers' analytical and managerial capacities in sector analysis and project design, development, and implementation. Since the Bank's experience and expertise are not homogeneous across human development subsectors, nor are the borrowers' analytical capacities, implementation of a sectoral approach to human development must be differential, taking into consideration the Bank's knowledge base and a country's sectoral capacity.

3.37 In cases where national capacity is determined to be weak, the Bank should assist countries in varying ways depending upon their needs. First, it should supplement the country's analytical deficiencies by continued involvement in sector analysis and project design and by giving more attention to PHR issues in work on public sector management. Second, it should actively assist countries to develop their own capacities by: (a) providing small, flexible institution-building and operations research loans; (b) exploiting, under DEC leadership, the possibility of broadening the mandate of the Bank's research program to include financing or cofinancing of programs for developing research capacity of universities and specialized research institutions in developing countries; and (c) responding to country demand for advice on human development programs which falls outside the lending cycle (see para 3.42 below). Finally, a Bank focus on sectoral policies and institutional development must be complemented by the involvement of other agencies -- bilateral and multilateral cofinanciers, specialized bodies without independent funding, and NGOs -- which can more effectively support the design and implementation of grassroots programs. Bilaterals and UN agencies like UNICEF, with a strong field presence, can be highly complementary to the Bank: experiments with explicit work-sharing arrangements are already being carried out, and the practice is likely to spread to other countries and institutions. In the case of NGOs, among many innovations cited, the most effective collaboration has occurred where the Bank agrees with the government on a framework for contracting-out provision of low-cost service at the periphery.

## 2. Relax Restrictions on Recurrent and Local-Cost Financing

3.38 As elaborated, human development requires a concentrated, long-term commitment, not just for capital expenditure, but mostly for recurrent expenditure which comprises the bulk of budgetary



requirements. Short of that, governments may be able to develop infrastructure, but not to finance the necessary associated costs, such as those of primary health care workers, drugs, textbooks, and teachers. Therefore, governments and donors need to enter into a compact ensuring that both will allocate their resources to priority areas in human development for a sufficiently lengthy period in order to make a real difference. For governments, this may involve accepting conditionality regarding reallocation of overall public expenditures, whereas for donors this may mean abstaining from financing low-priority capital investment projects. Bank lending will thus be most effective when it supports a national program for human development, which includes investment and recurrent expenditures. *Should always do so!*

3.39 Effective Bank support for human development thus requires lending for consolidated programs of both capital and recurrent expenditure. This approach, however, raises issues of sustainability when external support ends, and risks of opening a fiscal "Pandora's box" for a sector in which recurrent costs are already high. To ensure sustainability and minimize fiscal risks, financing of recurrent expenditure should be embedded in a prudent financial policy framework for the sector which is itself embedded in a prudent macro policy framework, and in disbursement targeted on strategic categories of expenditure. Such a framework would be linked to the public expenditure dialogue through public expenditure reviews (PER) and public sector investment programs (PIP) and would reflect agreement on the relative proportion of the budget to be allocated to human development programs. It would also reflect agreement on the allocation of budgetary resources within each sector. In some instances it will be desirable to link this agreed expenditure pattern effectively with external resource availability through the disbursement pattern of the loan. It should be noted, though, that in many cases, achieving the long-term human development needed to lift a country out of poverty will require substantial spending in the near term, the benefits of which will not be fully manifested until the longer term. This means that a country needs a level of expenditure in the next decade or two that may not be currently self-sustainable in order to reach the higher level of development in subsequent decades when it would be able to sustain such expenditure on its own. It is thus important to recognize that the timeframe for sustainability in the area of human development is necessarily longer than can be realized during the lifetime of a Bank project. The strategies for reducing the dependence on external support will need to recognize the long gestation period.

3.40 Adopting a strategic and selective strategy for financing a wide range of expenditure minimizes fiscal risks. Selectivity may mean, for instance, that the government continues to finance all salaries and the Bank finances the remaining expenditures; or it may mean that government finances fully salaries and operating costs of a core program, and the Bank finances salaries and operating costs of a "fast track" or of some specific areas of expenditure like teacher/staff training. Selectivity can also provide a mechanism for phased-down reduction of external support, slice by slice. In all cases, periodic reviews should be conducted to ensure that budgetary allocations by the country are appropriately made.

3.41 The Bank cannot hope to finance the huge amounts of recurrent and local costs required to meet human development needs worldwide. It can, however, have a multiplier effect by selectively financing a share of strategic categories of expenditures, leading governments to develop viable financial policy frameworks and influencing the financing patterns of other donors. Restricting financing of recurrent or local costs introduces a major bias in government expenditures against what, on policy grounds, is being encouraged. CD and PHR staff should, therefore, take account of the need for adequate financing of recurrent (and local) costs of cost-effective human development programs in sector and project work. Current guidelines provide a high degree of flexibility in this domain, but their interpretation and implementation have varied widely. Country departments should make maximum use of this flexibility, as appropriate for their programs. Meanwhile, in order to provide a consistent signal Bank-wide, the above broad interpretation of "human capital investment" should be codified as soon as possible in two areas. First, OMS 2.1 should be revised to (i) recognize economic criteria as the basis for financing incremental recurrent cost; (ii) treat selected incremental recurrent-cost financing in the human development sector as



a normal way of doing business, not an exception; (iii) call for careful analysis of financing for recurrent cost in the sector; and (iv) call for detailed analysis of the recurrent-cost implications of a project. The need for sectoral analysis of recurrent-cost financing is, of course, also a central element in those investment operations designed to finance a share of the total sectoral expenditure program. Second, current OPSVP guidelines on local-cost financing require exceptions to be presented through the CSP process, on a country-by-country, not project-by-project, basis. It is proposed that CODOP, in consultation with LEG, draft a broader dispensation treating local cost-financing in human development programs as liberally as is feasible, particularly when targeted at the poor.

### 3. Facilitate Advisory Support Unrelated to Lending

3.42 While helping countries to strengthen their own institutional capacity can be effected through lending mechanisms cited in para. 3.37 above, there are clearly cases where needed assistance for capacity-building falls outside the traditional Bank work program. One way to address this issue is through cross-subsidization, emphasizing freestanding institution-building work in a key sector or subsectors where lending operations are temporarily not feasible. This does not require introducing new procedures or special treatment. Beyond that, the demand for technical assistance, unrelated to lending, and the extent of the Bank's responsiveness to such demand, should be further explored to assess whether any new facility or measure is needed. Such a study should be conducted by an *ad hoc* working group of PHR staff and others. The Group should work closely with the Task Force on technical assistance, chaired by Mr. Picciotto and should take into account earlier experience with special facilities.

### 4. Maintain High-Quality Expertise

3.43 The effectiveness of the Bank in supporting human development in the 1990s will hinge on the its operational staff's dedication and quality. Yet, the intensified operational emphasis on human development has strained staff capacity (paras. 3.27-3.29) and threatens to erode the traditions of technical expertise to which the sector has long been committed. Maintaining the Bank's technical expertise and operational rigor that has been built in the human development sector over more than two decades of lending will require (i) reducing the pressure on operational staff; and (ii) sustained investment in staff development, coupled with aggressive international recruitment.

3.45 Reducing the Pressure. The work program and staff resources must be harmonized in order to relieve severe pressure. This requires that (a) line managers (including PHR division chiefs) adopt more realistic expectations in the work program than that which ran ahead of capacity, and (b) Country Departments review whether current lending plans suggest shifts in positions on the margin to reduce the gaps between the consultant ratios for PHR and for other sectors. The volume of lending operations has been increasing and can be expected to increase due to more general use of sector lending instruments for sectoral investment, allowing significant gains in productivity per staff, according to lending volume.

3.46 Staff Development. Sustained investment in staff development is pivotal to the success of other elements of the agenda for action proposed. Professional development activities should be channelled into:

- (a) Response to new opportunities through flagship courses at leading universities or specialized institutions in new areas that emerge from advances in human development knowledge worldwide, Bank policy work, and the experience of borrowers.



- (b) Expansion of skills through technical seminars designed to prepare staff to handle a range of analytical and operational tasks, focusing on well-developed techniques and skills that are not mastered by all staff who need them.
- (c) Exchange of best practice through such means as professional staff interest groups, several of which have already been established (vocational training, higher education, science and technology, population, health economics), general operation reviews, newsletters, and occasional formal and informal "best practice" papers.
- (d) Access to outside knowledge promoted through seminars on external research findings and analytical work.

## 5. Improve Impact Evaluation

3.47 Building on the substantial body of policy and research generated so far, the Bank should now give more attention to the development of the empirical underpinnings for policy choice and selecting intervention in the different areas of human development, and the best-practice basis for generalizing the use of new lending instruments. The subject is complex and must integrate information from many disciplines. In many instances, knowledge can best be developed by learning the lessons of experience, through carefully designed programs of monitoring and evaluation. This requires action on four fronts:

- Developing and refining social output indicators and consistently applying them -- including CSPs and SALs -- to establish a country baseline, to formulate country strategies, and to measure impact of policy reforms.
- Including monitoring and evaluation components as a standard practice in human development projects and supporting cross-sectoral surveys such as LSMS through technical assistance loans, particularly where grant resources are not immediately available.
- Strengthening coordination between PRE and the TDs to enhance complementarities in developing social indicators, in providing operational support for the design of prototype monitoring and evaluation components, and in synthesizing results.
- Disseminating the accumulated knowledge about the comparative effectiveness of different human development interventions to aid the Bank, borrowers and other donors in targeting their investments.

## D. RESOURCE ALLOCATION

3.48 Lending for human development has grown dramatically over the past five years and is projected to grow even faster under the FY91-93 business plan (see Annexes III and IV). This growth will certainly necessitate a significant increase in resources. It should, however, be dealt with through the normal CAM process, and no special resource increments are requested.



## WORLDWIDE HUMAN DEVELOPMENT INITIATIVES

The Alma Ata Conference on Primary Health Care (1978) affirmed health as an integral part of the overall developmental and political process. It aimed at attainment by all, by the year 2000, of a level of health that ensures the ability to lead socially and economically productive lives. In follow-up, a broad-based group of international agencies and health professionals launched the Task Force for Child Survival. The goal is to immunize all children of the world and to promote other effective means for ensuring their survival, ranging from oral rehydration to family planning.

The 1984 Conference on Population (1984) reavowed the importance of the World Population Plan of Action adopted at the 1974 Conference, which urged that population policies be considered integral components of socio-economic development policies. The Conference further underscored the necessity of political commitment and international co-operation in the field of population, and the responsibility of the United Nations family.

The UN World Conference on Women (1985) reaffirmed the international concern for the status of women expressed at the 1975 Conference. It called for the elimination of illiteracy by the year 2000, increasing the life expectancy for all women to at least 65 years, and providing women the opportunity for self-supporting employment. Finally, it propounded the full and comprehensive implementation of laws guaranteeing women's equality in all spheres of life to ensure an equitable socio-economic framework within which real development could take place.

The Safe Motherhood Initiative (1987) integrated health care for the mother with that of the child and promoted the socioeconomic potential of women, an equally vulnerable group that bears a disproportionate burden of poverty. To reduce the half million pregnancy-related deaths each year in the developing world, solutions involved improving the health, nutrition, and education of women and providing family planning information and services.

Because the alleviation of poverty requires both safeguarding physical well-being and development of cognitive and productive skills, the World Conference on Education for All (WCEFA) (1990), in Jomtien, Thailand, was a logical and complementary step. It called for universal access to basic education by the year 2000. Participants, including delegates from 155 governments, reaffirmed that education is a "fundamental right for all people," and that it helps ensure a healthier, more prosperous and environmentally sound world. Moreover, the Development Assistance Committee of OECD is looking into ways by which donors can be more effective in meeting the objectives of WCEFA, and will be meeting in 1992 to find the mechanisms to do it. Concurrently, UNDP has undertaken to produce the first annual *Human Development Report* to underscore the centrality of the human dimension of development and to monitor its progress.

These international initiatives for human development were finally elevated to the highest political level at the World Summit for Children, held in New York, September 1990. Attended by 65 heads of state, the Summit reiterated all previous concerns for human development. By setting the survival, protection, and development of children as the focal point of international commitment, the summit magnified the central importance of education, nutrition, health, family planning, and empowerment of women and girls in building the foundation for the future.



## INVESTMENT IN PEOPLE: SUMMARY OF EVIDENCE

Productivity Effects and Economic Growth. Individual gains in productivity through education, health and nutrition clearly translate into macro-economic gains. The economic returns to investments in schooling are, for the most part, substantial: in general, they are the highest for primary education, large for secondary, and often less, but still significant, for higher levels. Scores of studies document the positive effects of education on wage earnings, farmer productivity and profitability of small-scale enterprises. The contribution to economic growth is well illustrated by the rapid economic development of Japan, and more recently Korea, facilitated by a strong human capital base. Further, educational effects explain almost a third of the difference in growth rates achieved by East Asian economies. Investments in education are particularly effective in conjunction with a favorable economic policy environment.

The effect of better health and nutrition on productivity, though less well documented, may be quite significant. There is increasing evidence that major gains in productivity can be gotten through quite small investments in health and nutrition (as exemplified in Indonesia), and that these investments (at least in health), can have very high rates of return (for the treatment of TB and cataracts, for example). Recent studies also show that investments in health and nutrition contribute to increases in GDP by ensuring the attainment of full genetic potential, improving learning and averting illness, reducing the number of missed workdays (which is much higher in developing than in developed countries), and improving work performance. In addition, these investments could prolong participation in the work force, thereby contributing to economic growth. Finally, investments in family planning bring about lower fertility which compounds the productivity effects of improved health and education by increasing per capita gains.

Investments in Women. Evidence is compelling that women are central to the effectiveness of a broad range of investments in human development. The association is strong between education of the mother and general health and well-being of her family: children of better-educated women tend to be better nourished and healthier. Higher levels of female education also result in increased adoption of contraception and lower fertility. Finally, women account for at least half the food produced in the developing world, and one-third of the wage labor force, and their access to education and training is likely to raise productivity in all sectors.

Synergies. An increasingly clear finding in the analytical work on human development is the synergy among various elements, with women at the center of these linkages, as noted above. Evidence also highlights other synergies: (i) nutritional supplements to school-age children contribute to their attendance and achievement; (ii) improvements in health and education reduce the preference for a large family and slow down population growth; and (iii) early childhood nutrition, health and education interventions enhance cognitive development and school achievement.



## Annex III

## Human Development Projects, FY85-93, by Region

	<u>FY85-87</u>	<u>FY88-90</u>	<u>FY91-93</u>	<u>% Change</u>	
				<u>FY88-90 over FY85-87</u>	<u>Planned FY91-93 over FY88-90</u>
<u>Education</u>					
AFRICA	18	21	32	17	52
ASIA	12	25	27	108	8
EMENA	13	10	16	-23	60
LAC	9	5	20	-44	300
<b>TOTAL</b>	<b>52</b>	<b>61</b>	<b>95</b>	<b>17</b>	<b>56</b>
<u>PHN</u>					
AFRICA	12	13	24	8	85
ASIA	6	8	19	33	138
EMENA	3	4	12	33	200
LAC	3	6	11	100	83
<b>TOTAL</b>	<b>24</b>	<b>31</b>	<b>66</b>	<b>29</b>	<b>113</b>
<u>OTHER*</u>					
AFRICA	N/A	4	7	N/A	75
ASIA	N/A	0	1	N/A	N/A
EMENA	N/A	0	3	N/A	N/A
LAC	N/A	2	8	N/A	300
<b>TOTAL</b>	<b>N/A</b>	<b>6</b>	<b>19</b>	<b>N/A</b>	<b>217</b>

\*Social development projects.

Source: MIS data as of May 16, 1991.



## Annex IV

**PHR Lending Volume, FY85-93, by Region**  
(US\$ million)

	<u>FY85-87</u>	<u>FY88-90</u>	<u>FY91-93</u>	<u>% Change</u>	
				<u>FY88-90 over FY85-87</u>	<u>Planned FY91-93 over FY88-90</u>
<u>Education</u>					
AFRICA	358	617	1,251	72.3	102.8
ASIA	947	1,743	2,363.6	84.1	35.6
EMENA	620	726	1,265	17.1	74.2
LAC	291	228	2,142	-21.6	839.5
<b>TOTAL</b>	<b>2,216</b>	<b>3,314</b>	<b>7,021.6</b>	<b>49.5</b>	<b>111.9</b>
<u>PHN</u>					
AFRICA	176	365.5	860	107.7	135.3
ASIA	327	557.2	1,628	70.4	192.2
EMENA	54.9	198.5	784	261.6	295.0
LAC	106	547.2	1,376.6	416.2	151.6
<b>TOTAL</b>	<b>663.9</b>	<b>1,668.4</b>	<b>4,648.3</b>	<b>151.3</b>	<b>178.6</b>
<u>OTHER*</u>					
AFRICA	0	75.1	194.7	N/A	159.3
ASIA	0	0	57.5	N/A	N/A
EMENA	0	0	172.5	N/A	N/A
LAC	0	43.6	324.4	N/A	644.0
<b>Total</b>	<b>0</b>	<b>118.7</b>	<b>749.1</b>	<b>N/A</b>	<b>531.1</b>

\*Social development projects

Source: MIS data as of May 16, 1991



**Trends in Lending, FY85-90, by Category**  
(In US\$ Million)

	<u>Ave. FY85-87</u>	<u>Ave. FY88-90</u>	<u>% Change</u>
Agriculture & Rural Development	3,819	3,880	1.6
Development Finance Co.	1,437.5	1,977.6	37.6
Education	732.3	1,104.8	50.9
Energy	3,434.6	3,187.6	-7.2
Industry	627.8	1,667.6	165.6
Nonproject	1,461.4	2,277.5	55.8
PHN	221.5	596.1	169.1
Public-Sector Management	0	396.9	N/A
Small-scale Enterprises	418.9	435.2	3.9
Technical Assistance	117.2	151.7	29.4
Telecommunication	284.8	271.2	-4.8
Transportation	1,794.3	2,419.5	34.8
Urban Development	990.4	1,311.5	32.4
Water Supply and Sewerage	785	752.8	-4.1
	<hr/>	<hr/>	<hr/>
Total	16,124.7	20,429.9	26.7
*PHN (Without Other)	221.5	556.1	151.1
*Education, PHN, and Other	953.8	1,700.9	78.3
*Education and PHN (Without Other)	953.8	1,660.9	74.1
<b>Total Number of Bank Projects</b>	<b>233</b>	<b>221</b>	<b>-5.01</b>



**High-Level PHR Staff**

	<u>Africa</u>	<u>Asia</u>	<u>EMENA</u>	<u>LAC</u>	<u>PRE</u>	<u>Total</u>	<u>% Share</u>
Administration/Facilities	0	0	0	1	1	2	0.7
Economics/Finance	20	17	14	15	16	82	30.4
Line Management	7	6	5	4	5	27	10.0
Research	4	5	2	1	6	18	6.7
Senior Management	0	0	0	0	1	1	0.4
<b>Technical Specialists</b>							
Education*	13	10	12	5	7	47	17.4
PHN	16	10	4	2	8	40	14.8
Architecture/Construction	4	4	1	0	0	9	3.3
Project Operation	8	8	7	7	0	30	11.1
Public/Private Sector Management	1	0	0	1	0	2	0.7
Urban	0	1	0	0	0	1	0.4
Water/Sanitation	0	3	0	0	0	3	1.1
Other	0	1	1	0	2	4	1.5
Subtotal, Technical Specialists	42	37	25	15	17	136	50.4
Other	1	1	0	0	1	3	1.1
<b>TOTAL</b>	<b>74</b>	<b>66</b>	<b>46</b>	<b>36</b>	<b>48</b>	<b>270</b>	<b>100.0</b>

\*Includes training, evaluation, sociology, and technical/vocational training.



OFFICE MEMORANDUM

DATE: June 27, 1991  
TO: Mr. Wilfried P. Thalwitz, PRESV  
FROM: Ann O. Hamilton, PHRDR  
EXTENSION: 33436  
SUBJECT: Human Development: A Bank Strategy for the 1990s

*VR o/r*  
*(Priority)*  
RECEIVED  
V. Rajagopalan  
PRSV P  
91 JUN 27 PM 3:01  
SECTION: POLICY & RESEARCH  
*WD*  
*7/2/91*

Attached is a draft of the above for your approval and forwarding to the President's Council. I understand that it is currently scheduled for discussion by the PC on July 15. The paper was extensively reviewed at all levels, and the present draft reflects the change list submitted to the PRE Committee as well as the discussions of the Committee at its meeting of June 13. It also incorporates comments made earlier by Messrs. Rajagopalan and Summers.

Attachment

cc: Messrs. V. Rajagopalan (PRSV P - o/r), L. Summers (DECVP), P. Isenman (PRDDR), F. Colaço (PRSV P), D. de Tray (DECVP), Task Force members.

WDHaddad/omn

**DRAFT D**

June 26, 1991

(Restricted circulation)

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# **HUMAN DEVELOPMENT:**

A Bank Strategy for the 1990s

Population and Human Resources Department  
Policy, Research and External Affairs



# HUMAN DEVELOPMENT: A BANK STRATEGY FOR THE 1990s

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This draft has been prepared by a Task Force led by Wadi D. Haddad and comprising Anthony Measham, Andrew Rogerson, and Adriaan Verspoor, under the general direction of Ann Hamilton. The Task Force was assisted by Terri Demsky, Kin Bing Wu and Sharon Blinco (editor).



## EXECUTIVE SUMMARY

i. Human development -- education, health, nutrition, population concerns, and the socioeconomic role of women -- has been a fast-growing area in the Bank, with all the pains of growth. It has also been facing new challenges -- expanded and broadened role, integrated structure, and country focus -- for which the Bank has been tuning up and experimenting with various instruments. The purpose of this paper is to review the Bank's experience, consolidate the lessons learned, identify areas of unfinished business and recommend an agenda for action to improve the Bank's effectiveness in this area. In this sense, this paper is an internal strategy document; it does not aim to provide specific policy options for countries under different conditions, nor does it call for a new initiative or more resources. The proposed agenda for action is shaped by the global challenge, the strategic choices that countries have to make, and the Bank's preparedness in terms of policy, structure and experience.

### THE GLOBAL CHALLENGE

ii. Investments in people are increasingly recognized by the Bank, its borrowers and the international community at large as critical to sustainable development. Based on a wealth of research evidence and country experience, there is now broad consensus that such investments in human development are pivotal to individual productivity that translates into macro-economic growth. These investments have strong synergistic, or mutually reinforcing, effects among the sectors, with women at the center of such linkages. Entering the 1990s, human development is at the heart of the Bank's development strategy for spurring economic growth, alleviating poverty and effecting technological progress.

iii. Substantial progress has been achieved over the past three decades in human development. Yet, high expectations as to what such investments can accomplish in developing countries continue to contrast sharply with prevailing human deprivation. More than one billion people live in absolute poverty; one-sixth of the population goes hungry every day; 1.5 billion people lack basic health care; over 14 million children die each year before reaching their fifth birthday -- most from preventable causes; half a million women die each year from causes related to pregnancy and childbirth; nearly 900 million adults, two-thirds of whom are women, are illiterate; and more than 100 million children, including at least 60 million girls, have no access to primary schooling. If current trends persist, prospects for the 1990s are not better.

### STRATEGIC CHOICES AT THE COUNTRY LEVEL

iv. The response to the challenge of raising the levels of human development must take into consideration both the external environment and the intrinsic features of the sector. Human development has a heavy political dimension, involves a vast array of providers and beneficiaries, demands a high recurrent/capital expenditure ratio, and requires a long gestation period. Strategies, therefore, can be neither purely technical nor quick-fixes. In this context, no country can escape the need to make long-term commitments and tough strategic national and sectoral decisions regarding human resource development. Each country-specific strategy is basically the result of choices in four arenas: how to effectively integrate human development investments with macro-economic policies, demographic change and infrastructure; what balance to strike and trade-offs to make between competing demands among different human development investments; what tasks the state should implement and what should be left to others; and what institutional skills and capacities need to be developed to do all the foregoing.

v. **Linking Human Development with the External Environment.** Capturing the returns to investment in human development requires a policy framework that ensures effective delivery of relevant services and efficient deployment of human capital. Absent such a context, schools and health centers will be under-used, scientific knowledge mis-directed, and scarce skills not applied where most needed. Worse, lives and material resources to counter ignorance and disease will be squandered. Ill-considered economic policies can and usually do sabotage good human development policies. Long-term human development



policies must, therefore, be integrated with macro-economic policies, demographic factors and, development infrastructure.

vi. **Balancing Competing Demands.** Essentially, countries need to make long-term investments based on three sets of difficult policy choices. The first involves overall resource allocation -- countries that have succeeded in raising levels of human development have made adequate provision for the purpose in their budget which has contributed to faster long-term growth. The second involves allocation of expenditure across and within human development sectors, based ideally on criteria of efficiency, cost-effectiveness and equity. Of primary importance in this regard is striking a balance between the need to provide universal access to basic human services, to enable people to attain at least an acceptable minimum of physical well-being, education, and earnings, and the need to provide higher level services, including selective opportunities to acquire advanced knowledge, skills, and technologies, in order to advance development of their economies. In addition, ensuring the equitable access of women to both basic services and advanced training requires special attention. In many countries, a shift from higher-level to basic services will serve efficiency and equity objectives, and higher level services may often be financed through gains captured from financial reforms. The final policy choice involves balancing expansion and quality. Human development services must be provided at a minimum level of quality if they are to make a contribution to development; therefore, in many countries, investing in the quality of existing services is likely to have a higher pay-off than in new facilities.

vii. **Redefining the Role of the State.** Governments have borne the major responsibility for the financing and provision of human development services, driven by the need to capture externalities and equity concerns. However, increasing demand for such services will require a shift away from existing practice toward more consciously targeted government investment and involvement when they are most critical, and systematic tapping of non-governmental alternatives where feasible. This requires: (a) diversifying sources of funding, including community construction of primary schools and health clinics, and partial cost recovery; (b) encouraging non-governmental provision where private (non-profit or for-profit providers) can deliver services efficiently and equitably; and (c) using quasi-market approaches for public provision.

viii. **Developing National Capacity.** To accomplish all of the above, countries need analytical and managerial capabilities including the ability to analyze needs, identify priorities, design policies, and implement and evaluate programs. For most human resources development programs, though, the critical constraints are managerial and institutional rather than technical. In many countries administrative systems need strengthening to: (a) ensure the quality and motivation of staff at the operational level; (b) provide reliable and timely information for effective decision-making; and (c) create an appropriate organizational and decision-making structure and imbuing it with adequate resources, with an eye towards devolution of managerial and fiscal authority to the local levels.

### BANK RESPONSIVENESS

ix. In many respects the Bank is well poised to meet the changing needs of its clients in responding effectively to the strategic choices outlined above. Over time, the institution's view of human development lending has broadened, realizing a shift from infrastructural projects to policy-based lending. The Bank's structure now allows for a more integrated and country-focused approach to human development enabling it to address and exploit synergies and linkages. Finally, decades of development work, in research and policy as well as in the field, have led to the accumulation of a respectable body of knowledge in sector analysis and in cost-effective responses to human development needs, particularly in the macro-economic context. These advances are all reflected in the expansion and diversification of human development lending.



x. Although significant gains have been made in the Bank's ability to promote human development, much remains to be done. Aside from country-level hurdles such as subordinating human investments to productive sector investment, restricted absorptive capacity, and political sensitivities, the Bank faces its own limitations. First, despite the Bank's structural integration and country focus, sector work and project operations do not sufficiently and systematically exploit the underlying synergies among human development components, nor the linkages between macro-economic strategies and human development at the country level. Specific investment loans, while appropriate for introduction of innovative ideas and support of specific programs, are restrictive in dealing with the complexities of strategic choices demanded of countries, as outlined above. Other lending instruments -- SILs, SECALs and hybrid -- that provide a better tool for meeting these objectives have not been widely used in the PHR sectors. Secondly, the present approach to lending for human development, predominantly articulated in the 1960s and 1970s, is deliberately patterned after the Bank's experience with lending for infrastructure projects. It has created a strong emphasis on rigorous analysis and estimation of project investment costs, but a reluctance to finance recurrent and local cost, even where this is demonstrably the most cost-effective way to support human development. Thirdly, outside the lending cycle, the Bank is inadequately equipped to respond to demand for human development advice. While the transfer of know-how is often achievable within the project cycle, and its costs recoverable through the lending spread, the conventional bundling together of lending and technical assistance has serious limitations. Fourthly, excess output targets compared to staff growth and changes in lending patterns and areas have strained staff capacity to the limit and led to dependency on consultants more than in any other sector. As the sector continues to grow and diversify, the situation may worsen if the present workload, technical support and staff development patterns persist. Finally, monitoring and evaluation in the human development sectors suffers from two important deficits: insufficient information about trends in social development, and lack of empirically sound evaluations of impact. With only modest up-front planning and resources, the Bank can capture golden opportunities to learn more about the impact of social interventions and the effects of Bank policy than it will ever learn from *ex post* econometric analysis.

#### BANK AGENDA FOR ACTION

xi. The scope for expanding the Bank's human development assistance, in response to country demand, is enormous. Yet, to be effective, the Bank must be selective in the targeting and modalities of financing, concentrate its efforts on areas central to its mandate as an economic development institution, and bring its unique perspective and expertise to bear on the international human development agenda and on the design and implementation of country-specific strategies. To leverage its comparative strengths, the Bank must:

xii. **Concentrate on Support for Broad Programs of Reform and Development.** This calls for sector work that is firmly grounded in macro-economic strategies for growth and poverty alleviation, and for appraisal of lending operations focusing on proposed sectoral policy framework including related public expenditure and institutional capacity to implement it. Operationally, more use should be made of lending instruments that have a broader focus than specific investments, including demand-driven, fund-type instruments with access criteria designed to create incentives for policy change. When the borrower's capacity is weak, the Bank should continue its involvement in sector analysis and project design and, at the same time, actively assist countries to develop their own capacities with targeted loans, special technical assistance, and involvement of NGOs and international agencies.

xiii. **Relax Restrictions on Recurrent and Local-Cost Financing.** Human development requires a concentrated, long-term commitment, not just for capital expenditure, but mostly for recurrent expenditure which comprises the bulk of budgetary requirements. Therefore, governments and donors need to enter into



a compact ensuring that both will allocate their resources to priority areas in human development for a sufficiently lengthy period in order to make a real difference. Effective Bank support for human development thus requires lending for consolidated programs of both capital and recurrent expenditure. To ensure sustainability and minimize fiscal risks, financing of recurrent expenditure should be prudently imbedded in a financial policy framework for the sector and disbursement targeted on strategic categories of expenditure. It should be noted, though, that, in many cases, achieving the long-term human development needed to lift a country out of poverty will require substantial spending in the near term, the benefits of which will not be fully manifested until the longer term. The strategies for reducing the dependence on external support will need to recognize the long gestation period.

xiv. **A broad interpretation of "human capital investment"** should be codified in a revised OMS 2.1. Moreover, it is proposed that CODOP draft a broad dispensation on local-cost financing covering human development programs targeted at the poor or those directly affected by adjustment, using clear criteria for identifying these populations. There are, however, fundamental issues related to recurrent and local-cost financing that go beyond human development sectors and beyond the scope of this paper, and need to be addressed explicitly and soon through a major Bank-wide review.

xv. **Facilitate advisory support** where needed assistance for capacity building falls outside the Bank lending program. One way to address this is to allow a high degree of cross-subsidization, emphasizing freestanding institution-building work in the sector. Further demand for technical assistance unrelated to lending should be explored to assess whether any new facility or measure is needed. Such a study, to be conducted by a Bank-wide PHR task force, should take into account the work of the Bank-wide Task Force on Technical Assistance, and earlier experience with special facilities.

xvi. **Maintain High-Quality Expertise.** The Bank's effectiveness hinges on the dedication and quality of its staff. Maintaining technical expertise and operational vigor requires (a) reducing the pressure on operational staff by adopting more realistic expectations in the work program and increasing staff allocation, within the overall CAM allocations, to reduce dependency on consultants, and (b) sustaining investment in staff development, coupled with aggressive international recruitment.

xvii. **Improve Impact Evaluation.** The Bank should move more systematically into the development of the empirical underpinnings for policy choice and selecting interventions in the different areas of human development, and the best-practice basis for generalizing the use of new lending instruments. This requires action on four fronts: developing and refining social output indicators and consistently applying them to establish a country baseline, to formulate country strategies, and to measure impact of policy reforms; including monitoring and evaluation components as a standard practice in human development projects, sometimes co-financed with Research Committee funds to extend beyond the project life and ensure the Bank's technical input; strengthening coordination between PRE and the TDs in developing social indicators, in providing operational support for the design of prototype monitoring and evaluation components, and in synthesizing results; and disseminating the resultant accumulated knowledge.

## RESOURCE ALLOCATION

viii. Lending for human development has grown dramatically over the past five years and is expected to grow even faster in the coming years. While this growth will certainly necessitate a significant increase in resources, they will be justified by demand. There are, therefore, no special resource increments requested outside the normal internal country-based allocation mechanism in OPS and the budgetary process in PRS.



## CHAPTER I -- THE GLOBAL CHALLENGE

1.01 Investments in human capital are increasingly recognized as critical to sustainable development. Education, health, nutrition, population concerns, and the socioeconomic role of women increasingly permeate all aspects of development and the Bank's institutional priorities. Combined, they constitute the elements of *human development*, as appropriately coined in *WDR, 1980*. Herein the term is used in the same way.

1.02 Decades of experience and research highlight the pivotal role of human development in achieving the social and economic objectives shared by the Bank, its borrowers, and the international community at large. Importantly, investments in human development not only combat deprivation, but also provide an adequate threshold of nutrition, health and education for productive gain by individuals and society. In this sense, human development is both the means and the end of economic progress. Substantial progress has been achieved over the past three decades in human development investments, yet high expectations as to what such investments can accomplish, continue to contrast sharply with unacceptable levels of education, nutrition and health, particularly among women and children. The enormous challenge of the 1990s, for both the Bank and its borrowers, is to address the gap between reality and potential of human development in light of expanding demands and constrained resources.

1.03 Human development has been a fast-growing area in the Bank, with all the pains of growth. It has also been facing new challenges -- expanded and broadened role, integrated structure, and country focus -- for which the Bank has been tuning up and experimenting with various instruments. The purpose of this paper is to review the Bank's experience, consolidate the lessons learned, identify areas of unfinished business, and recommend an agenda for action to improve the Bank's effectiveness in this area. In this sense, this paper is an internal strategy document; it does not aim to provide specific policy options for countries under different conditions, nor does it call for a new initiative or more resources. The proposed agenda for action is shaped by the purpose of human development (Chapter I), the strategic choices that countries have to make (Chapter II), and the Bank's preparedness in terms of policy, structure and experience (Chapter III).

### A. THE EXPECTATIONS

1.04 The Bank enters the 1990s with a broad consensus regarding the critical role of human development in accomplishing its goals, namely, to spur economic growth, alleviate conditions of poverty, and effect technological progress. The Bank's first comprehensive treatment of the central role of human development issues, reflected in *WDR, 1980*, combined, in a coherent analytic framework, the concern for economic growth and productivity that dominated development strategies in the 1950s and 1960s and the emphasis on basic needs in the 1970s.

1.05 Entering the 1990s, the Bank has made the eradication of poverty a central element of its operational and policy work. Based on *WDR, 1990*, it has adopted a two-part strategy for poverty reduction: encouraging broad-based economic growth to generate income-earning opportunities for the poor and ensuring access of the poor to basic social services to combat malnutrition, ill health, illiteracy, high fertility, and the lack of employable skills. Human development is central to both parts of the strategy. "Improvements in health, education, and nutrition directly address the worst consequences of being poor. But there is ample evidence that investing in human capital, especially in education, also attacks some of the most important causes of poverty (p. 74)." Reviewing the lessons of 40 years of development experience, in *WDR, 1991*, the Bank further concludes that technological progress is the impetus of development. Hence, human development strategies need to be designed to meet both poverty alleviation objectives through basic social services and technology transfer objectives through secondary education,



science and technology training, and international exchanges in engineering and science, in order to ensure meaningful participation by developing countries in the global economy. Investments in human resources, therefore, will be at the heart of the Bank's development strategy in the 1990s and on the critical path to the fulfillment of its mission.

1.06 There is also a growing realization in the developing world and in the international aid community that sustainable development cannot occur without investing in people. It is translated into political commitment at the highest level and has been reflected, during the past two decades, in several worldwide population, health, and education initiatives: The Alma Ata Conference on Primary Health Care (1978), followed by a Task Force for Child Survival; the World Population Conference (1984); the UN Conference on Women (1985); the Safe Motherhood Initiative (1987); the World Conference on Education for All (WCEFA) (1990); the UNDP *Human Development Report Series*, launched in 1990; and the World Summit for Children, held in New York, September 1990. The purpose and scope of these initiatives are summarized in Annex I).

1.07 Expectations from human development investments are based on a wealth of research evidence, country experience, and cross-country analyses that acknowledge the high returns to society from investing in people. Studies have shown that individual gains in productivity through education, health, and nutrition investments clearly translate into macro-economic gains, that human development components have strong synergistic effects, and that women are at the center of such linkages and are crucial to the effectiveness of a broad range of investments in human development. These studies are well documented in different Bank reports and are briefly summarized in Annex II.

## B. NEEDS FOR HUMAN DEVELOPMENT

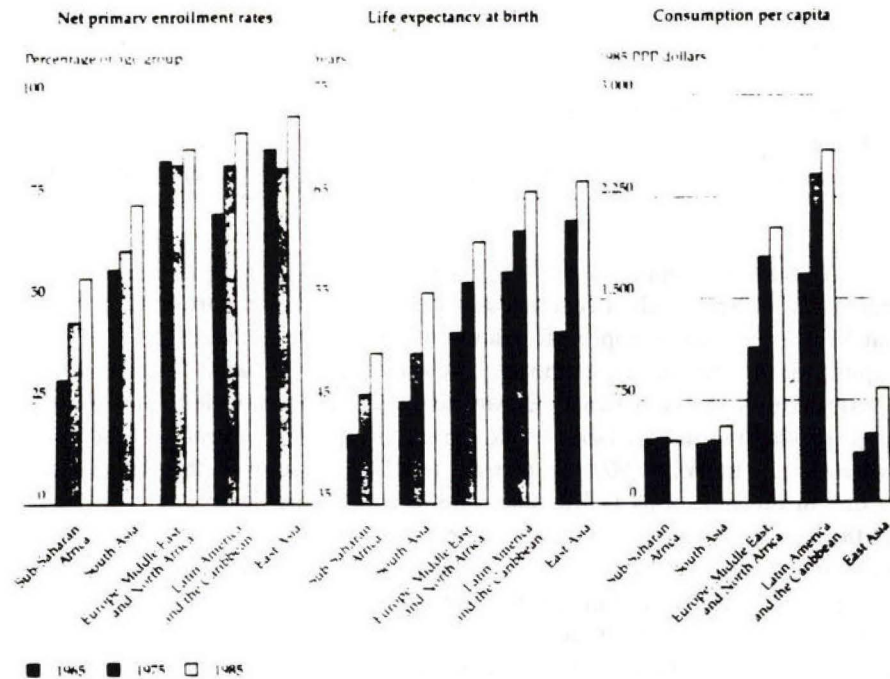
1.08 Overall, developing countries have made substantial progress in human development over the past three decades. Between 1965 and 1985, life expectancy rose from 51 to 62 years of age, and net primary enrollment rates increased from 73% to 84% of the primary school age group. (Figure 1 for achievement by region.) Adult literacy rates rose from 43% in 1970 to 60% in 1985, and school enrollment rates for girls increased more than twice as fast as those for boys. Under-five mortality declined by more than a third from 1960 to 1989 in the 38 countries with the highest levels; in all other developing countries it fell by more than half during the same period. Under-five mortality correlates well with other indicators of human development. It reflects improvements in nutrition and health, especially of women and small children, and in education, notably female literacy.

1.09 This progress, however, must be put in perspective. Tremendous human deprivation remains in developing countries as the following profile indicates.

- Income: Average per capita income is \$650. More than one billion people (one in every three) still live in absolute poverty, with annual per capita consumption of less than \$370.
- Life Expectancy: Average life expectancy is 62 years, but in 10 African countries life expectancy is below 50 years.
- Food and Nutrition: One in six persons suffers daily hunger, and 150 million children under five (one in three) suffer from serious malnutrition. One billion suffer from iron deficiency anemia, vitamin A deficiency, and/or iodine deficiency disorders.



Figure 1: Progress and stagnation in the developing world



- **Health:** Primary health care is not available to 1.5 billion people. Women and children suffer the most. Half a million women die each year from causes related to pregnancy and childbirth. The maternal mortality rate is 330 maternal deaths per 100,000 live births in low-income countries, compared to 10 in high-income countries. Some 14 million children under five die annually.
- **Literacy:** Nearly 900 million adults, two-thirds of whom are women, are illiterate. There are nine countries (most in Asia) each with more than 10 million illiterates and 14 countries with illiteracy rates of 70% or more, 11 of which are in Africa.
- **Education:** More than 100 million children, including at least 60 million girls, have no access to primary schooling. Estimated school enrollment ratios for the 6-11 year age group are less than 60% in Africa, 75% in Asia, and 87% in Latin America. In India alone, there are more than 50 million children out of school. In low-income countries, the average net enrollment ratios are lower for females, 78%, as compared to 87% for males, and do not automatically catch up as GNP rises. Furthermore, qualitative differences between rural and urban schools are enormous, with urban schools having better access to facilities and teaching materials. Enrollments in higher education in many low-income countries remain less than 5% of the age group, compared to 10-20% in middle-income countries.

1.10 Disparities in social indicators are also striking within countries between males and females and urban and rural populations. First, women are less well than men on almost all the above indicators; they have less access to social services and labor market. For instance, there are still 16 developing countries where female primary enrollment is less than two-thirds of males. Secondly, two-thirds of the

people in the developing countries live in rural areas but receive less than a quarter of education and health services. Even then they are likely to have simple clinics and low-quality schools.

1.11 What are the prospects for the 1990s? The demographic trend indicates increasing demand for scarce resources. Most (95%) of population growth is likely to occur in developing countries. Their share of world population is projected to increase from 76% (3.9 billion) in 1988 to 80% by the year 2000. Countries with high fertility rates are especially burdened with large dependent populations, 45% of which are under 15 years of age. The demand for nutrition, primary health care, and education is correspondingly high.

1.12 In addition, many developing countries are further constrained by the need to restructure their economies. In the short run, structural adjustment may disproportionately harm the poor and undercut programs that help form human capital for development. Yet, protecting the human resource base and its capacity to spur micro- and macro-economic growth is crucial, and devising a strategic framework for appropriate national policies is critical. Expanded access to human development services and emphasis on growth through productive use of labor could arrest the decline in real income and quality of life in many developing countries. In *WDR 90*, the overall number of poor in the developing world is projected to decline from one in three persons to less than one in five. This decline is predicated on the historical trend of a 3% growth rate in industrial countries, a similar increase in real aid flows, and progress resulting from the proposed strategy for poverty alleviation. The absolute number of poor in South Asia will continue to be in the hundreds of millions, and in sub-Saharan Africa, with a projected population growth rate of 3.1%, the number of poor is expected to increase from 180 million to 265 million. Failure to undertake requisite policy reform or to sustain human development programs and social safety nets would sharply reduce potential gains from human development investment. Further, without investing in scientific and technological capacity, many developing countries would lack a foundation for sustained human development and full participation in the global economy.

### C. RESPONDING TO THE CHALLENGE

1.13 The response to the challenge of raising the levels of human development must take into consideration the intrinsic features of the sector. Human development has a heavy political dimension, involves a vast array of providers and beneficiaries, demands a high recurrent/capital expenditure ratio, and requires a long gestation period. Strategies, therefore, can be neither purely technical nor quick-fixes. In this context, countries need to make long-term commitments and tough policy decisions (Chapter II), and the Bank needs to make similar commitments and strategic choices (Chapter III).



## CHAPTER II -- A FRAMEWORK FOR STRATEGIC CHOICES AT THE COUNTRY LEVEL

2.01 Major variations in human progress are, to a considerable degree, the results of policy choice: countries vary in the extent to which they recognize, or act upon, the centrality of human capital investments for sustainable development. Several countries with only modest levels of income have been able to attain levels of human development equal or superior to some industrialized countries. This demonstrates that the link between economic growth and human progress is not automatic, and that even when economic adjustment is inevitable, the human costs are often a matter of *choice*, not of compulsion. Some countries (Colombia, Costa Rica, Korea, Sri Lanka, and Zimbabwe, for example) have long considered human capital to be as productive an investment as physical capital, and have consistently invested in people. When combined with sound economic management, these investments have paid off handsomely, as illustrated in Box 1. Other countries (Brazil, India, Nigeria, and Pakistan, for example) have invested less in human development, neglecting the needs of large groups or certain regions. They have paid a price in lost opportunities for overall development and in the continuing poverty of large segments of their populations.

2.02 No country can escape the need to make strategic national and sectoral choices regarding human development. Each country-specific strategy is basically the result of choices in four arenas: how to integrate effectively investments in human development with macro-economic policies, demographic change and infrastructure; what balance to strike and trade-offs to make between competing demands among different human development investments; what tasks the state should implement and what should be delegated to other players; and what institutional skills and capacities need to be developed to do all the foregoing.

### A. LINKING HUMAN DEVELOPMENT WITH THE EXTERNAL ENVIRONMENT

2.03 Capturing the returns to investment in human development requires a policy framework that ensures effective delivery of relevant services and efficient deployment of human capital. Absent such a context, schools and health centers will be under-used, scientific knowledge mis-directed, and scarce skills not applied where most needed. Worse, lives and material resources to counter ignorance and disease will be squandered. Ill-considered economic policies can and usually do sabotage good human development policies. Long-term human development policies must, therefore, be imbedded with: (i) macro-economic policies; (ii) demographic factors; and (iii) development infrastructure.

#### 1. Macro-economic Policies.

2.04 Human development strategies must be firmly linked to and even embedded in macro-economic policy decisions, which affect the supply and demand for human capital. Fiscal and regulatory policies affect supply while real sector, labor market, and employment policies affect demand through their impact on agricultural and industrial productivity, labor market regulation, investment incentives, regulation of informal-sector entrepreneurs, and employment promotion measures. Trade and industrial policies, as they adjust toward a more open economy, have impact on human development in many ways -- through shifts in relative prices (which can be devastating at the poverty threshold if compensatory measures are not in place), changing employment signals as a result of resource switching, and through competitive pressures to align skills and work practices with fast-moving international requirements. In the end, the effective utilization of human resources for economic development depends heavily on the productive utilization of skills; this requires employment generation and a well-functioning labor market to facilitate the flow of resources from less productive to more productive employment. The fact that macro-economic policies have



### **Box 1: Investing in Human Development: Some Success Stories**

**Korea** is a strong example of the importance of combining sound economic management with investment in human capital. Economic growth, combined with an emphasis on education, especially at the primary level, was initially responsible for improvements in human development indicators. Government became even more active in the social sector in the late 1970s when external shocks to the economy led to a program of stabilization, liberalization and structural adjustment, and to new social programs and intensification of existing ones in order to protect vulnerable groups. Beginning in 1978, it extended medical insurance, which covered more than half the population by 1985, and developed high-quality public health and education systems. It also introduced free, or heavily subsidized, medical care to poor families, especially mothers and children. In addition, public works programs to provide employment to the poor during crisis periods were temporarily increased. Consequent to these interventions, human development indicators continued to improve even during the difficult years of 1980 and 1981, though at a temporarily slower rate.

Due to its commitment to human development since the 1940s, **Costa Rica** has attained human development indicators close to those of Europe. A long history of democracy reinforced the pressure for welfare policies, underpinned by a rapid expansion in the export of cash crops, like coffee, which helped generate income-earning opportunities. Primary health care was emphasized from the early-1970s, through rural and community health programs stressing preventative care and community participation. By 1980, nearly all Costa Ricans were covered by a variety of pensions, health insurance, social welfare and public health. This focus also led to an increase in the proportion of girls completing primary school (from 17% in 1960 to 65% in 1980) which helped bring down the infant mortality rate, in turn contributing to a decline in desired family size and fertility rate. Though a worsening economic situation contributed to a drop in primary school enrollments in the 1980s, infant mortality rates and malnutrition have continued to fall.

different effects on people who are equipped to respond (because they are educated and have access to information, technology, resources, and markets) and those who are not (generally women and the poor), highlights the importance of human development policy. In some countries, such as Brazil and Pakistan, where economic growth has not been matched by attention to social services, the poor are not as well equipped as they might be to take advantage of economic opportunities. In other countries, by contrast, such as Sri Lanka, where human development has long been stressed but economic growth has been slow, the potential for raising the incomes of the poor has gone to waste for lack of economic opportunity. In terms of reducing poverty and increasing national income, the performance of such countries as Indonesia, Malaysia and Thailand illustrates the benefits of linking labor-promoting policies with increased investments in human capital.

## **2. Demographic Factors**

2.05 Human development strategies must be sensitive to the interplay of demographic factors. Developing country populations are predominantly young (the median age is 19), are growing rapidly (at



3.0% per annum for all of Africa, for instance), and are urbanizing even faster. Mortality rates have fallen considerably, but not uniformly: some countries still report life expectancies as low as 45 years, and differentials within countries can be extreme. Persisting high fertility in many countries, and for minorities and the disadvantaged in many other countries, holds the threat that rapid population growth will continue for decades into the future, placing a heavy burden on public investment, damaging the health and welfare of mothers and children, and threatening the environment. Directly addressing such demographic problems, as well as coping with the momentum of past population growth, must be a cornerstone of human development policy. Family planning services though, even when available and understood, may not be enough; other country circumstances and policies -- especially those promoting education and employment for women and raising the age of marriage -- are often needed to create the necessary demand for their utilization. It may not be in the household's private interest to have fewer children, and governments may need to encourage family planning in non-coercive ways by strengthening private incentives which may have other benefits. For example, greater cost-recovery in education and housing raises the "cost" of large families. Singapore, for instance, uses tax incentives and housing policies; China has used bonuses and housing privileges; and Thailand combines community involvement, rural development programs and direct benefits for households with fewer children.

### 3. Development Infrastructure

2.06 The absence of an adequate physical environment -- housing, water supply, transportation, and communication networks -- adversely affects human development, both in urban and rural areas. First, services are difficult to deliver effectively, and second, human productivity is constrained, for example, by water-carrying and (female) child labor. Hence, human development policy must be supported by infrastructural development.

## B. BALANCING COMPETING DEMANDS

2.07 Driven by population growth and accelerated by high income elasticities, the demand for more (and more sophisticated) education and health care is rapidly escalating in the developing world. At the same time, most countries are faced with severe economic constraints, and the need to restructure economies or realign policies impinges on the resource base. Consequently, countries need to make long-term investments based on three sets of difficult policy choices: (a) how much and how to invest in human development, (b) what balance to strike and tradeoffs to make between competing demands among different human development investments, and (c) how to balance expansion and quality of services. The strategic policy choices that governments make ultimately reflect both technical and political factors. Countries respond to these factors differently, just as they differ in their political culture, knowledge of tradeoffs, and processes of decision-making.

2.08 In the first area of choice -- overall resource allocation -- countries that have succeeded in raising levels of human development have made adequate provision for the purpose in their budgets. But increased government spending involves a tradeoff. In this case, though, the tradeoff is not between economic productivity and social services. Investing more in human development is not only consistent with faster long-term growth; it contributes to it. It is a matter of targeting government action on areas where externalities are significant, where market imperfections constrain private sector alternatives and where equity considerations are paramount.

2.09 But increased aggregate government spending on human development is not always the answer. The second set of choices for better allocation of expenditure areas and within human development programs and more efficient use of funds is often more important. Here, again, governments must make



hard decisions based on a set of criteria such as the existing levels of services, the likely relative contribution of different interventions to economic growth and social progress (ideally captured in some instances by economic or social rates of return), the cost-utility or cost-effectiveness of specific investments, private sector alternatives and cost-recovery possibilities of certain sectors, and overriding considerations such as equity, poverty alleviation, and bringing women more fully into the development process. There is, though, no unique algorithm to separate the "technical/economic" from the "political" dimension, nor are sectoral objectives usually scaled in terms of measurable indicators. Also, governments do not make these decisions simultaneously but incrementally. Consequently, many countries have been reluctant or unable to make these choices systematically, and base their policies instead on short-term political accommodation of powerful interest groups. The result in many instances has been overinvestment in hospitals and universities, ineffective publicly funded secondary technical schools, and intensive public funding for sophisticated curative procedures which carry little social benefit beyond the individuals affected.

2.10 The third area of choice -- balancing expansion and quality -- is underscored by the damaging erosion of the quality of many human development services, especially where governments have elected to provide broad access to free services without making available the resources necessary to operate the service at a minimum level of effectiveness. The result is primary schools where children hardly learn, health clinics that cannot provide the most basic services, technical schools where students do not acquire marketable skills, and universities that operate at the periphery of scholarship. Human development services must be provided at a minimum level of quality if they are to make a contribution to development. In many countries investment in the quality of existing services is likely to have a much higher pay-off than investment in new facilities. For example, recent research in Brazil found that a \$1 investment in quality-enhancing inputs in primary school in the impoverished northeast region resulted in a \$4 reduction in the cost per Grade 4 completer, through a reduction in drop-out and repetition rates. Such a strategy would imply a shift in the priority for allocation of resources away from capital investment to recurrent expenditures. Regional equity considerations and practical politics, however, often dictate the opposite measure.

2.11 In practice, therefore, choices between human development investments typically concern what services to provide or how fast to provide them, not whether to provide them. At the sector policy level, national authorities often confront the need to strike a balance between two competing, yet somewhat complementary, sets of priorities: (1) universal access to basic human services; and (2) selective opportunities to acquire advanced knowledge, skills, and technologies. In addition, ensuring the equitable access of women to both basic services and advanced training requires special attention. In many countries, a shift in public investment from higher-level services to basic health and primary education will serve both efficiency and equity objectives. Such a shift in emphasis does not imply a lack of importance of higher-level services. Every country striving for balanced economic growth needs a comprehensive education policy that includes spending on professional training and higher education, including science and technology. Similarly, hospitals are an essential part of a balanced health care system. These considerations, however, do not justify investing heavily and without cost-recovery in higher-level services that benefit the few at the expense of critically needed basic services that benefit the majority. Financial reform, including recovering the costs of higher-level services and greater reliance on alternative financing mechanisms, such as student loans and health insurance plans, can free up resources that can be used to expand and improve the quality of basic services.

#### 1. Universal access to basic human development services

2.12 Human development must mobilize the contributions of all people to economic growth and social development. Policies that *de facto* exclude large groups are inequitable and unlikely to be economically efficient in the long run. An important priority is, therefore, to design strategies that provide



all people with opportunities to attain at least an acceptable minimum of physical well-being, education, and earnings. The experience of countries such as China, Colombia, and Zimbabwe illustrates the feasibility of major improvements in health and education, even at low-income levels, through a judicious and well-balanced use of resources (see Boxes 2 and 3).

### Box 2. Choices in Health Care

China has given priority to primary health care and invested heavily in providing safe water, improving sanitation, and assuring adequate nutrition to the vast majority of its populations. Its success is reflected in an under-five mortality rate of 43 per 1,000 live births despite a per capita GNP of only \$290. In contrast, in Brazil, which spends an estimated 70% of health expenditure on curative hospital care, mainly in urban areas and especially in the South, and only 22% on preventive care, the under-five mortality is 85 per 1,000 live births, despite rapid growth and a GNP per capita of \$2,020. Similarly, the under-five mortality rate in Indonesia, where only 37% of the public sector's recurrent budget goes to hospitals, is roughly one-half that of countries which devote up to 80% of their health budgets to curative hospital services.

2.13 Basic human development typically includes four types of interventions:

- Improving the nutritional status of the poor, especially eliminating severe malnutrition among children and women in the reproductive age group. Nutrition programs are often most effective when specifically *targeted* at the most vulnerable groups and delivered in conjunction with health, child development, and educational interventions through *integrated child development programs*;
- Establishing primary health care systems that provide wide coverage at relatively low cost. This usually implies a community-based health care system that relies on non-physician health workers, is backed up by a strong referral system, and provides at least a minimum package of basic preventive and curative care, with special emphasis on interventions that promote *maternal health and child survival and development*.
- Providing broad access to family planning services. This approach is the most cost-effective way to reduce fertility in the short term and also lowers maternal and infant mortality. Mobilizing the private and public resources necessary to meet the unsatisfied demand for family planning services represents a major challenge, especially for the poorest countries. Stimulating and sustaining this demand will require visible and long-term political commitment, information campaigns, and strong financial support. In the longer run, female education and employment, reduction of child mortality, and increased income have a strong impact on fertility, as well as other benefits.
- Expanding opportunities for education, literacy, and training to meet the basic learning needs of all children, youths, and adults. This means universalization of primary education (or whatever higher level is considered basic), expansion of early childhood care and development activities, and adequate provision of adult literacy and training programs. Of particular importance is the emphasis on *learning*, i.e., the acquisition of knowledge and skills as the critical outcome, rather than on mere school attendance or completion.

### Box 3. Choices for Basic Education

In concert with basic health services, Zimbabwe has focused on basic education. Since independence in 1980, its investment in education has continued to increase and in 1987 was nearly 8% of GNP, with 66% targeted to primary education. In the same year, both its (gross) primary and secondary enrollment ratios were greater than those of Brazil, whose GNP is nearly four times as large. Similarly, China's focus on primary education has payed off with a net primary enrollment ratio of 99% for males and 91% for females. By contrast, in Pakistan, which has a comparable GNP per capita (\$350 vs. \$290 for China), the gross primary enrollment ratio is only 52% males and 35% for females.

## 2. Acquiring Advanced Knowledge, Skills, and Technologies

2.14 While it is important for countries to extend access to basic services to all, providing selective opportunities for acquiring intermediate and advanced knowledge and skills must be pursued *concurrently*, in order to advance development of their economies and harness new technologies. New technologies and production methods depend more than previous ones on well-trained, flexible labor, innovative, problem-solving management, and cadres of highly trained scientists and engineers, including some with sophisticated research skills.

2.15 Technological capability -- the ability to assess, select, adapt, use, and develop new technologies -- is rapidly becoming the critical determinant of a country's development prospects. Yet, science and technology are among the most unevenly distributed goods in the world, since they depend on the allocation of resources to long-term investments in the human and industrial infrastructure. Japan and Korea exemplify the importance of such early, selective investments. These investments necessitate combining improvements in quality and selective expansion of post-basic scientific and technological training, developing a national capacity for providing continuous technological upgrading, and moving towards regional integration of markets and of educational and research institutions, especially in the case of smaller countries which may not be able to sustain the needed technological development on their own.

## 3. Expanding the Access of Women to Services and Resources

2.16 In setting priorities for human development, the role of women must be recognized as fundamental for economic progress, not just for gender equity. Women lack access to the information, productive resources, markets, and human capital they need to be productive. This requires top priority to assure access to education, reproductive health care (giving women control over their own fertility), agricultural extension, credit, and employment. Investments in women will increase job opportunities and earning capacity of the present generation of women, and of the next generation. As women's economic potential increases, families become more willing to invest in the health and education of daughters (see Box 4).

2.17 Economic progress rarely translates automatically into more opportunities for girls and women. Special measures will be needed to ensure their access to basic services, advanced learning opportunities, and employment:



#### Box 4. Women at the Center of Human Development

The importance of gender equality is evidenced by data which show that, even in countries where boys had achieved near universal primary education by 1965, child mortality and fertility in 1985 were high where enrollment rates for girls lagged far behind those of boys (twice that of countries in which a gender gap did not exist). Women's role and status tend to be higher in those countries which have successfully lowered fertility and mortality, e.g., China, Colombia, Tunisia, and Zimbabwe, than in those which have been less successful, e.g., Nigeria and Pakistan. Low status of women and preference for sons, particularly in south Asia and parts of Africa, can result in inequitable allocation of food and health services, under-investment in female education, lack of reproductive choice and health care, and discrimination in skill development, technical training, employment opportunity and income.

- Access to basic education will often require special measures to overcome the reluctance of parents to send girls to distant schools, or to schools that lack privacy or have mostly male teachers, and to accommodate the traditional family responsibilities of girls.
- Good health services at the community level, combined with effective referral to health facilities at the next-highest level, are of particular importance for women. Women face special health risks during the reproductive years, especially if they bear many children. Nutritional support to pregnant and lactating women is essential.
- Access to family planning services is crucial, especially in countries where fertility rates remain high.
- Increasing women's access to resources is vital to improve the ability of the current generation of women to earn more. It can be enhanced by ensuring access of rural women to technical innovations, credit, and equal opportunities in the labor market.

#### C. REDEFINING THE ROLE OF THE STATE

2.18 In most developing countries, governments have borne the major responsibility, often with considerable success, for the financing and provision of human development programs. For example, the direct cost of schooling is borne almost entirely by governments worldwide, and over 75% of primary and secondary school students in developing countries are enrolled in public schools. The government also accounts for a major share in health expenditures in all regions except Asia. Finally, food subsidies intended to improve nutrition of the poor make up a large share of many government budgets; for example, in Morocco, such subsidies account for 10% of government recurrent expenditure. Government involvement has been driven by two concerns. First, there is an "externalities" argument: left to the market, investments in human capital will be below what is socially optimal. This is reinforced by evidence of market failure where human capital is concerned. Second, equity concerns dictate that access to basic human development programs be available irrespective of ability to pay.

2.19 The escalating demand for human development services can be expected to continue unabated. Few governments will be able to continue to provide across-the-board financing for all levels of



human development. Nor should they. They will need to reallocate public funds to those activities where they are most critical and where there is no substitute. Government financing does not, however, imply government provision. In many instances, governments can consider providing resources to consumers to purchase what are essentially private goods (education and curative health services, food supplements) or contract with private providers to deliver certain services. There are, however, clear limitations to what the private sector can do, especially when the service is specifically targeted at the poor (primary education and health care), or produces uncertain benefits far into the future (scientific research).

2.20 The reasons cited above establish a strong *prima facie* case for public financing and, often, provision of primary level services especially when targeted at the poor. The externalities are significant and private providers are usually not interested in providing this kind of services, especially in rural areas. For secondary and tertiary level services, mixed strategies are usually optimal. The externalities associated with these levels have often been difficult to measure precisely, but they clearly justify some public subsidy. (Examples are technical training for strategic skills, graduate training and research, referral hospitals.) Imperfections distort market signals and result in socially sub-optimal outcomes, and governments may have to intervene to offset the impact of these distortions. On the other hand, there are often private institutions that can deliver the services and respond to customer demand more efficiently than public providers. Equity issues associated with access to secondary and tertiary level institutions are addressed most effectively by tackling inequities in access to primary level services (for example, see Korea's case in Box 1) and by introducing special measures such as state-supported student loans and scholarships and regulated medical insurance plans.

In many instances, public sector interventions have been plagued with inefficiencies and the private sector's potential to contribute to human development has not been effectively mobilized. Sustained human development will in many instances require a shift away from existing practice toward more targeted government involvement and a systematic tapping of non-governmental alternatives where they are feasible. Three policy approaches are particularly important:

- Diversifying sources of funding. Non-governmental financing for human development can take various forms. Community construction of primary schools and health clinics is common in many parts of Africa and Asia. Non-governmental agencies have made major contributions to village-level health care (Rwanda, Zambia, and Zimbabwe, for example). Partial cost recovery is quite common, especially in the health sector.
- Encouraging non-governmental provision where private (non-profit or for-profit providers) can deliver services efficiently and equitably. Mixed public and private provision or finance has worked well, for instance, in education in Chile, Kenya, the Philippines, and Zimbabwe; and in health care in Brazil, China, the Philippines, Rwanda, and Zambia. (See Box 5 for detailed examples.)
- Using quasi-market approaches for public provision. Delivery will be most efficient when managers have the flexibility, incentive, and authority to respond to changing conditions and consumer preferences (e.g., user charges).

#### D. DEVELOPING NATIONAL CAPACITY

2.21 The ability to analyze needs, identify priorities, design policies, and implement and evaluate programs is a prerequisite for the formulation of a development strategy in any sector. Special problems, however, bedevil the human development sector. The dominance of public provision, the variety of services, and the need to provide technical support and supervision to a large number of clients in widely dispersed locations make the administrative and institutional demands especially daunting.



### Box 5. Private Provision of Education and Health

In Chile, rapid expansion of higher education has been made possible, in part, by drawing on private financial resources. Whereas before, universities depended totally on public funding, the 1981 reform of higher education, encouraged the establishment of new private institutions and introduced student fees; cost recovery now exceeds 25% of total income. Enrollment in private institutions increased from 12,000 in 1981 to 106,000 in 1989.

In the Philippines, the social insurance system pays the full cost of in-patient services in public hospitals, but patients are free to use the cash value of that coverage as a partial payment for services from private providers. In Brazil, firms can choose to retain their social security contribution and contract with prepaid health organizations for the provision of health services to their employees. This has fostered enormous expansion of health maintenance organizations.

2.22 For most human development programs the critical constraints are managerial and institutional rather than technical. In many countries administrative systems need strengthening in three areas:

- Staffing at the operating level. Perhaps more than in any other sector, effective delivery of services depends on the quality and motivation of staff at the operating level. Providing them with adequate training, recognition and other appropriate incentives, professional support, and material resources is critical to program effectiveness.
- Flows of information. Planners and policymakers require reliable and timely information for effective decision-making. Establishing management information systems which quickly provide data on performance is critical for effective management. And local administrators and educators need to be provided with feedback on the relative performance of their units.
- Organizational and decision-making structure. Decision-making authority and resource allocation need to reflect the responsibility of operational staff for service delivery, and of central level staff for strategic planning, monitoring standards of performance, providing technical support, and disseminating lessons of experience. For middle-level staff, managing information and resource flows between central planners and local operators and adapting plans to regional or district-level realities are key. Increasingly, as governments devolve responsibility for human development to local governments, there will be a need to develop local capacity to plan and manage human resource development, to stimulate various forms of community involvement, and to develop inter-governmental fiscal relations so that sources of local finance are adequate to meet local responsibilities.

## CHAPTER III -- IMPLICATIONS FOR THE BANK

3.01 How can the Bank best assist countries -- borrowers and non-borrowers -- in responding effectively to the strategic priorities outlined above? The answers in this chapter partly evolve from the extent of the Bank's preparedness, in terms of policy, structure, knowledge and experience, responding to these priorities. They also derive from the Bank's ability to respond both to external constraints, such as variable demand for human development borrowing, and internal constraints, related to the rules governing Bank business and the ways in which its human capital resources are deployed. The resulting recommendations are framed in terms of a four-point agenda for action.

### A. EXTENT OF BANK'S PREPAREDNESS

3.02 In many respects the Bank is well poised to meet the changing needs of its clients. Over time, the institution's view of human development lending has broadened, realizing a shift from infrastructural projects to policy-based lending. The Bank's structure now allows for a more integrated and country-focused approach to human development enabling it to address and exploit synergies and linkages. Finally, decades of development work, in research and policy as well as in the field, have led to the accumulation of a respectable body of knowledge in sector analysis and in cost-effective responses to human development needs, particularly in the macro-economic context. These advances are all reflected in the expansion and diversification of human development lending.

#### 1. **Broadened Rationale for Bank Assistance to Human Development**

3.03 The Bank started human development lending roughly 20 years after Bretton Woods. Education lending began in 1963, followed by population in 1970, nutrition in 1977, and direct lending for health in 1980. Initially, the Bank's involvement was primarily based on narrow reasoning, centered on human-capital infrastructure and anchored in its pre-eminently project-lending approach. Additional layers of concern for equity and basic needs, and later on, for the social consequences of adjustment programs and the two-way relationship between growth and poverty reduction, have resulted in a broadened definition and role of human development.

3.04 Skills-for-Productivity Rationale. The largest item in the Bank's (and other donors') human development portfolio, from the early 1960s until the mid-1970s, was the skills-for-productivity project which was usually based on manpower forecasts and claimed to generate identifiable skills, hence higher productivity and lifetime earnings sufficient to amortize the investment. Such thinking resulted in heavy lending in vocational education and diversified (academic/vocational) secondary education. In many cases, the development of skills for productivity did not materialize, and academic performance was sacrificed. This rationale was subsequently expanded to include the benefits of basic education -- primary, adult, and non-formal training -- via basic literacy and numeracy, the promotion of attitudes favorable to development, and other beneficial outcomes.

3.05 Equity-with-Growth Rationale. Lending for population, health, and nutrition was anchored both in a productivity rationale and in the Bank's increased equity-with-growth focus. The Bank began population lending in 1970 because high population growth rates in many developing countries posed a serious impediment to their development, and especially to their attempts to alleviate poverty. Lending for nutrition, instituted in 1977, was based on recognition of its importance to economic development and on its being necessary to achieve health, population and education objectives. Particular priority was given to food-insecure populations, notably pregnant women and children. Direct lending for health, beyond components in projects in other sectors, was begun only relatively recently, in 1980; it was essentially rooted



in the Bank's commitment to alleviating poverty and because it afforded opportunities for dialogue on population issues and for supporting family planning services through the health system. In the 1980s, the complexities of labor markets, futility of rigid input-output planning, and overwhelming equity and cost-effectiveness arguments in favor of basic education were gradually recognized and Bank lending patterns shifted toward the latter. The equity rationale led to a significant increase in the provision of basic services, though sometimes at the expense of quality. Moreover, issues of demand for and utilization of services, which are embedded in the broader macro-economic context, could not be well addressed within the technical confines of project lending.

3.06 The equity-for-growth rationale gave rise, belatedly, to a strong emphasis on the role of women in development. Due to their function as family caretaker (bearing children and caring for their health, nutrition, and education) and contribution (existing and potential) to the workforce, investing in the human capital of women has become an increasing focus within the Bank.

3.07 Adjustment-and-Social-Impact Rationale. From the start of adjustment lending in 1980, and especially since 1985, the third major force shaping the Bank's involvement has been the social impact of adjustment. The Bank's comparative advantage has come to rely increasingly on advice and support for appropriate economy- and sector-wide policies and the design of sectoral investment strategies within the context of the overall policy environment. This is true regardless of whether the lending instrument chosen is of an adjustment, hybrid, or sector-investment character. The initial link between macro-economic adjustment and human resource operations was essentially *reactive*. Deflationary fiscal policies, trade and price liberalization, and devaluation were found to squeeze the real incomes of the most vulnerable groups and essential services benefitting them. In response, in the mid-1980s, adjustment programs began to include: first, early analysis of such measures' likely impact and second, a conscious effort at redress or of recasting adjustment programs in that light. Typical examples are food subsidy phaseouts involving targeted nutrition relief for the poor and emergency public works and compensatory social service programs. More recently, especially resulting from *WDR, 1990* and growing experience with ex-centrally planned economies, the *proactive* link between human resource policies and adjustment is becoming better understood. The whole path of adjustment can depend on the credibility of "safety net" mechanisms and incentives for labor market mobility, and the critical supply response ultimately hinges on the efficient movement of workers, knowledge, and skills, as much as on that of goods and financial assets.

## 2. The Bank's Integrated and Country-Focused Structure

3.08 The 1987 reorganization resulted in two changes that realigned the Bank's structure with its evolving rationale for human development: the structural integration of human development activities and the consolidation of all sector analysis and lending operations at the country level. Unlike some other boundaries redrawn in the name of administrative efficiency, unifying human development responsibilities was explicitly intended to raise the visibility and criticality of human development in the country dialogue and fully integrate it in the design of country assistance strategies, as well as to capture the complementarities and under-exploited synergies among the disparate sectors. At the same time the technical base of each sector needs to be maintained and strengthened, and the specific operational interventions must reflect, in addition to intersectoral synergies, sound sectoral responses.

3.09 The country focus permits a better understanding of country-specific constraints and opportunities than was possible before 1987, when contacts between project staff and macro-economists in the programs divisions were limited. Above all, it involves more awareness of the demand-side forces pressuring for government actions and their rationale. Nowhere is this more apparent than in the sharpened debates over rationalization of financial support to public tertiary-level hospitals and higher education. Staff responsible for human development operations now form an integral part of the country department team.



This integration facilitates both first-hand knowledge of country conditions and design of sector work and lending operations based on familiarity with country strategy, illustrated in a recent sector adjustment operation for higher education in Nigeria. Better understanding of the institutional landscape also may result in greater success at weaving the contribution of private and non-profit agents into project design. Approaches that help governments subcontract responsibilities on a wholesale basis to NGOs have been tested successfully in several countries, most notably in Bangladesh, where a sub-component of the General Education Project supports a program to assist NGOs and community groups to develop experimental programs to make the government primary schools more attractive to the poor and to girls.

#### **Box 6. Synergies and Integrated Project Development**

The Bank is supporting a number of investments that take advantage of synergies in human development. In Brazil, a major project has as its objective improving primary school learning and retention among children of poor and migrant families in Sao Paulo through an integrated approach. In addition to curriculum reform and provision of educational materials, the project includes reform of the school health program to emphasize screening, referral, and health education, and a school feeding component, to increase its nutritional impact and to provide an incentive for regular school attendance.

The Integrated Child Development Services Project in India seeks to accelerate the pace of improvement in the nutrition and health status of children under six years, with special emphasis on children 0-3 years, and pregnant and nursing women. The objective is to improve the health and education of these populations, and consequently to lower fertility rates. It targets disadvantaged populations in Andhra Pradesh and Orissa.

3.10 These structural changes have set the stage for the Bank to exploit the underlying synergies among health, education, nutrition, family planning, and women's development, and, most importantly, the linkages between the country macro-economic framework and human development, both at the aggregate and micro-incentives level. For instance, there are now better opportunities to: (1) work on both the supply and the demand side of the fertility equation: on the supply side, through provision of better mother and child health care, and on the demand side, through such measures as improving female education and access to labor market/employment opportunities; (2) focus more effectively on complementary elements of child development, such as maternal and child health interventions, education, household "food security" and environmental health (linked with water supply and sanitation); (3) integrate education and training interventions with labor market requirements, including those for women's involvement; and (4) link poor families' needs for income enhancement with the better provision of jobs, services, and transport, particularly in the context of urban development programs.

3.11 The importance of synergies among human development components is increasingly recognized and taken into consideration in the Bank's work. For example, recent operations tie together education and school health and feeding programs. These are deceptively simple connections unlikely to have been implemented prior to reorganization (see Box 6 for examples of Brazil and India). In addition to project design, recent sector work has attempted to integrate analysis of a number of components of human development, as sector studies in Malawi and Tunisia illustrate. Similar improvements would be desirable across SODs, especially in the relatively weak links still existing in some parts of the Bank between



nutrition and agriculture, science and industry, and health and water supply, all of which should be natural allies.

3.12 Linkages between human development and the macro-economic framework have been forged in many different ways (see Box 7). Greater regard is now given to social expenditure analysis (recognizing that human development accounts for more than half of civilian discretionary expenditure by central and local governments in many countries) and freestanding studies on poverty. In addition, a number of recent structural adjustment loans (SALs) have specific social-cost compensatory arrangements. In the same vein, parallel social investment fund (SIF) projects instituted simultaneously with SALs, or follow-up projects to correct the social costs of earlier structural adjustment, have been introduced. Social action program sector work and projects, either as companions to structural adjustment or freestanding, address issues at the national level as well as sectoral concerns, on the premise that these set the stage for sectoral action. The issue of labor retrenchment due to public enterprise restructuring, for which the Bank has relatively little expertise, is bringing human development more centrally into the adjustment process. Finally, another area where the Bank has attempted to highlight and exploit the connection between human development and the macro-economic framework is in its concern for food security in Africa, focusing on the role of women as food producers and income-earners. There are cases, however, where horizontal communication within country departments occasionally fails, especially in the sense of not ensuring the incorporation of human development priorities in country strategies. In addition to the lack of quantifiable goals for social progress, which are difficult to derive and often missing in country strategy papers, symptoms include relatively poor coverage of population issues in country economic work and insufficient emphasis almost everywhere, including PRE, on labor market regulation and employment policies, which should lie at the center of the adjustment debate. Moreover, progress has been slow on the treatment of women's issues in Bank operations.

### 3. Accumulated Knowledge Base

3.13 The Bank, during decades of sector work and lending operations in most countries, and extensive research and policy work, has developed and used advanced analytical tools and accumulated a significant body of knowledge and experience. For instance, increasingly sophisticated analytical methods have been applied to study the efficiency of resource allocation across sectors (rate of return analysis in a number of countries), as well as cost structures in education (Asia Region comparative study), health insurance (Korea) and hospital resource use (major PRS study), examination of social security actuarial balances and cross-subsidies (Brazil), university funding intermediaries (Algeria, Nigeria), and the cost-effectiveness of health interventions (PRS study of disease control priorities) and nutrition programs (Brazil, India). Such analytical methods have given greater clarity to the issues related to recurrent and capital costs and public and private sources, thereby enabling more informed decisions regarding complex tradeoffs. One relatively new and important analytical tool is the Living Standards Measurement Survey (LSMS), that has proved helpful for poverty-oriented, cross-sectoral policy analysis. LSMS-type methods are being applied in several countries by PHRWH or under the African Social Dimensions of Adjustment (SDA) initiative.

3.14 The extensive body of policy and research work, aided in part by the analytical tools discussed above and extensive field experience, has generated significant understanding of the relationship between investments in human capital and economic development, synergies among these investments, the kind of services and aspects of their delivery that contribute most effectively to human development, and the design and implementation of different investments. These understandings have improved the Bank's ability to respond to country needs. For instance, the sub-Saharan Africa Education Policy paper and recent policy papers on primary education and on vocational education and training zeroed in on quality issues. Similarly, PHN research has provided operational guidance in high-priority areas. Research on impediments to contraceptive use and effective family planning programs has enabled better design and targeting of family



### Box 7. Linking Human Development with the Macro-economic Framework

*Public expenditure reviews* permit a careful examination of the adequacy of human development financing. In Morocco, a review revealed that social expenditures as a percentage of GDP have gradually decreased over the past decade and that existing expenditures on education, health, and nutrition were missing the most needy groups. The study's recommendations have spurred a number of human development loans, and a SAL with an explicit social expenditure monitoring framework and safeguards for vulnerable groups.

*Structural adjustment* is another area where the integration of human development objectives with economic objectives become important. The Bank is increasingly recognizing the need to protect human development within the structure of SALs: In Togo, the Fourth SAL includes a built-in provision of adequate budgetary allocations to the health and education sectors, making approval of the budget shares to these sectors in FY91 and FY92 a condition for second and third tranche release respectively. Senegal's Third SAL incorporated specific teacher targets within civil service reforms under structural adjustment, also a conditionality for tranche release. The Bank has also developed other project mechanisms to ameliorate the effects of adjustment, including parallel social investment fund projects such as the Bolivia project, or follow-up projects to correct the social costs of earlier structural adjustment, like the Social Sectors Development Project in Jamaica.

*Public enterprise restructuring* is also a nexus between macro-economic work and human development. Economic and sector work conducted in Poland has flagged health care as a casualty of such restructuring. With the closing of non-productive public enterprises, until now key providers of health care, many individuals will be without access. Under a recent Bank loan, the government is providing a "safety net," supplying health services to workers who are laid off. Reports and project work to assist governments in setting *social action programs* value linkages between country-wide issues and social services. A recent report to develop a social action program for Pakistan identified issues at the national level (problems in policy formulation, planning, financing, etc.) on the premise that these are important for the success of human development investments. It then analyzed sector-specific issues in primary education, basic health care, population and family planning, and rural water supply and sanitation. Recommendations included both country-level and sectoral actions toward improving basic social services.

A social action program in Rwanda was specifically requested by the government. The country is preparing for structural adjustment, so the government required that a social action program be developed parallel with the adjustment program, to be implemented simultaneously. The Bank is assisting the country to prepare such a program, which will then be discussed at a roundtable with all relevant donors to determine what they will fund; the Bank will act as the residual financier.

planning services; a study on micro-nutrients expanded knowledge of cost-effective interventions for improving nutritional status; and research on hospital efficiency and cost-recovery supports as feasible the reallocation of health resources to lower-level facilities. Quality concerns are increasingly dominant in both education and PHN projects, as well. For example, the design of education projects has shifted rather dramatically during the past decade from support for physical infrastructure that almost exclusively characterized education lending in the 1970s. Two-thirds of the education projects approved in FY90 supported the provision of textbooks, 85% included support for in-service teacher training and 30%



supported the establishment of systems for assessing student achievement. PHN projects have especially focused on improving internal efficiency and rationalization of service, resource mobilization, and institutional capability to formulate and implement programs.

3.15 Certainly there are limits to the Bank's expertise, due to gaps in research and/or experience: in education the institution is now beginning to build its knowledge base in the areas of higher education, labor markets, and science and technology; in population, the relationship between rapid population growth and environmental degradation has only recently come under study; in health, numerous gaps in knowledge exist, including the levels and trends of overall mortality, age-, gender-, socioeconomic- and disease-specific mortality, the major risk factors for diseases, and the costs, effectiveness and impact of different preventive and case management approaches; and finally, in nutrition, the Bank's research on the long-term effects of early childhood malnutrition is meager. Above all, project impact evaluation is not systematically and consistently carried out to influence positively subsequent project design and implementation.

#### 4. Expansion and Diversification of Lending

3.16 Human development lending has been one of the fastest-growing components of the Bank's portfolio for the past five years. It accounted for 11.7% of total commitments in FY90, up from 2.8% in FY87. Lending numbers and volume show a strong upward trend, as documented by figures for three years before and three years after reorganization (see Table 1 and Figure 2.). In terms of lending volume, the percentage increase for PHR in FY88-90 over FY85-87 was 74.0%, compared to a 26.7% increase in total Bank lending over the same period. Concurrently, the number of lending operations in PHR increased by nearly 30%, while Bank-wide it declined by 5% (see Annex V). The largest increase took place in PHN, although absolute lending for education was still more than twice as large. By region, the largest increase in number of education projects was seen in Asia, while Africa had the largest increase in number of PHN projects (see Annex III). A significant diversification into new areas, especially social action funds and broader social safety-net initiatives (such as Bolivia and Jamaica), science and technology (e.g., Brazil and China), and employment services (as in the case of Tunisia and Poland), has occurred in the last three years, and these trends are reflected in the upcoming operations pipeline.

3.17 The significant expansion in lending demonstrates that countries are not generally reluctant to seek Bank assistance for human development or to borrow on IBRD terms, because of a bias against human capital investments, or extreme political sensitivity, or both. Both IDA and IBRD (and regional development banks) borrowers are now requesting expanded assistance in every facet of human development programs, including some (e.g., family planning) where grant assistance used to be more readily available.

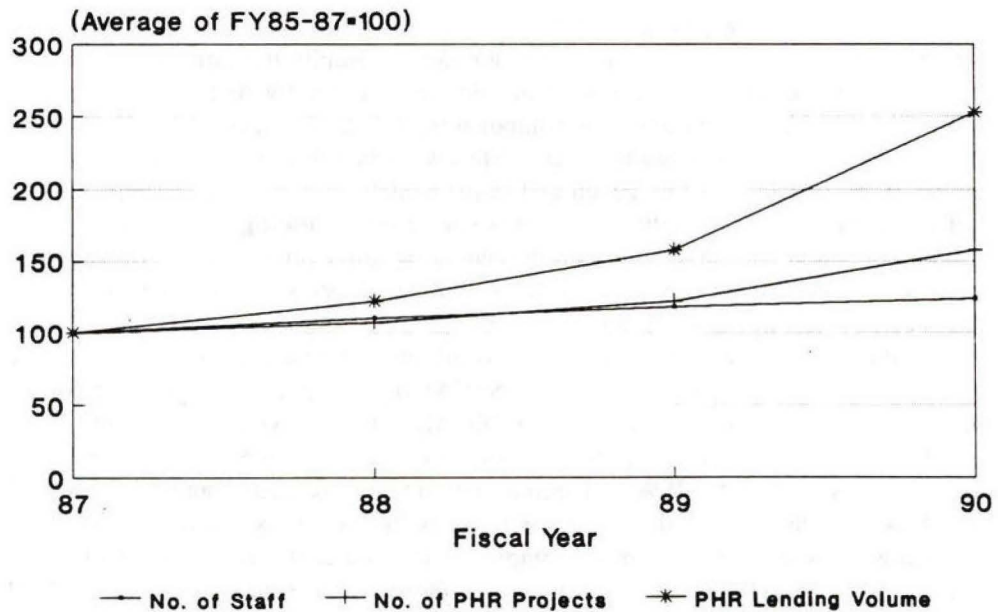
3.18 Two related trends seem to effect this increase in demand for Bank lending. One is the increased targeting of a limited pool of grant aid on the lowest-income countries, given the enormity of their basic needs, resulting in increased demand by middle-income countries for Bank support. The other is the changed perception of the role of the state (Chapter II, Section C above) which is convincing more and more governments to shift their investment budgets from areas where private sector or parastatal sector management is expected to yield greater efficiency, especially industry, utilities, and agriculture. The state should concentrate on core responsibilities, especially "public goods," like basic education, family planning, nutrition, preventive health, and research, as well as transport and communications infrastructure. These factors are driving a significant shift in the composition of demand for Bank (compared to IFC) support, whose effects on Bank-wide and human development programming are only just beginning to be seen.

Table 1. Human Development Lending, FY85-90

	Pre-reorganization FY85-87	Post-reorganization FY88-90	Increase (%)
<u>Number of Projects</u>			
Education	52	61	17.3
PHN	24	31	29.7
Other*	0	6	N/A
<b>Total</b>	<b>76</b>	<b>98</b>	<b>28.9</b>
<u>Lending Volume (\$ million)</u>			
Education	2,211	3,315	49.9
PHN	664	1,668	151.2
Other*	0	40	N/A
<b>Total</b>	<b>2,875</b>	<b>5,023</b>	<b>74.7</b>

\*Social development projects.

Figure 2  
Index of PHR Lending and Staffing





## B. UNFINISHED BUSINESS

3.19 Notwithstanding the significant gains in the Bank's institutional ability to promote human development, much remains to be done (as pointed out in section A above). Achievement obviously depends on the priority accorded such investments by developing countries and by other international agencies. While many countries increasingly recognize human investments as key to their development, some countries, and many individuals in all countries, still make a distinction between these investments and those in more immediately "productive" sectors. Many also have difficulty with human development's inherent imbalance in recurrent/ capital cost, which implies capitalizing what appear to be short-term, consumption-related expenditures. Moreover, progress in many countries is slowed by limited absorptive capacity and the political dimensions of investments in education, population, and health. Education and health development strategies, due to institutional inertia and pervasive social ramifications, cannot simply be zero-based. Governments do not usually pick wholesale reform options from several available alternatives, but instead experiment carefully at the margin, gauging public reactions and adjusting the next decision accordingly. Choices are constantly driven by politically rational responses to pressure groups (e.g., teacher unions, medical lobbies) with whom donors are not usually in frequent contact, and whose agendas may cut across the proposed reforms. A holistic approach to reform, often favored by the Bank, may be viewed as infeasible. The hidden political cost of being perceived to negotiate policies with the Bank may be prohibitive in certain cases, even when the financial costs are well accepted. Progress is evident in detecting and allaying these concerns, but more needs to be done.

3.20 Aside from country-level hurdles, the Bank faces certain major limitations that will impede its ability to face the challenges of the 1990s: traditional and restrictive lending practices do not sufficiently exploit synergies and linkages at the country level and resist large-scale funding of recurrent and local costs and limit monitoring and impact evaluation; outside the lending cycle, the Bank cannot adequately serve the needs of member countries for advice on human development policies and investment; and in house, demands on sectoral staff have strained capacity to the limit. These constraints are examined in turn.

### 1. **Traditional Bank Lending Practices**

3.21 Lending practices, while evolving rapidly, are still in many respects poorly articulated regarding demands intrinsic to human development. Despite the Bank's structural integration and country focus, sector work and project operations do not sufficiently and systematically exploit the underlying synergies among human development components, nor the linkages between macro-economic strategies and human development at the country level. While the traditional specific investment loan (SpIL) format is an appropriate mechanism for the design and implementation of specific investments (usually capital-intensive) and the introduction of innovative ideas, it is restrictive in dealing with the complexities of strategic choices demanded of countries (Chapter II) and the overall sectoral reforms and corresponding expenditure demands (capital and recurrent) as discussed in paras. 3.21-3.23 below. Other lending instruments often provide a better tool for meeting these objectives. For instance, sector investment loans (SILs) focus more on policy and institutional objectives and devolve responsibility for detailed project design, appraisal and supervision to the borrower. Sector adjustment loans (SECALs) support comprehensive reforms of the sector. Hybrid loans combine the adjustment features of a SECAL with the investment features of a SpIL or a SIL (see Box 8 for illustrations). These instruments, however, have not been widely used in the PHR sectors. For instance, during FY88-90, 75% of lending operations in education and 84% in PHN were SpILs. In both cases, however, the use of the other instruments has increased between FY88 and FY90. It should be acknowledged, though, that the more comprehensive and complicated nature of SILs, SECALs, and hybrids put a strain on staff resources (discussed in more detail below) and are more difficult to design and implement, particularly regarding the setting of realistic performance targets and the development of reliable



performance monitoring indicators. Perhaps the major constraint is that quick disbursing loans must be justified by short-term balance-of-payment needs, whereas human development reforms typically mature through the economy over a much longer timeframe.

#### Box 8. Sector Lending Instruments

A *sector investment loan* for primary education in Colombia was introduced in FY89. The project combines elements of traditional investments (in curriculum reform, school furniture, textbooks, teacher training and student assessment systems) designed to create new education capacity with policy reform (aimed at raising the share of non-personnel inputs in recurrent expenditures, introducing a new student promotion policy, raising the share of resources devoted to primary education, encouraging local financing, and assessing alternatives for financing higher education), as well as institutional development. The bulk of the responsibility for project design, implementation and appraisal as well as planning, monitoring and evaluation lies with the country. To strengthen program implementation, the project provides support for selected improvements in management, information, planning, budgeting and financial management, and local implementation capacity.

A *sector adjustment loan* in Guinea was recently undertaken to support implementation of a comprehensive package of educational policy reforms aimed at preventing a major deterioration of the education system and creating a basis for the sector to contribute to medium-term socioeconomic development. This is to be achieved through: (a) improving sector strategy formulation and managerial capacity; (b) rationalizing public expenditure in the sector, (c) launching a primary school construction and rehabilitation program; (d) increasing the relevance of education to employment prospects; and (e) addressing gender issues with programs of special emphasis. The loan will reinforce the overall macroeconomic adjustment program and extend critical reforms into the sector; it will ensure the protection of the education system during a period of austerity and provide support for measures to alleviate the burden of adjustment on most vulnerable groups. Disbursement will be against general imports not specifically tied to the sector.

A *hybrid loan* intended to support a comprehensive package of national health policy reforms was initiated in 1989 in Benin. The loan supports the policy reforms through a combination of quick-disbursing funds and program investments intended to help the government to improve the efficiency of the country's health care system and expand service delivery in rural areas. The quick-disbursing element provides for 100% reimbursement of the foreign exchange cost of general imports subject to a negative list; withdrawal of proceeds is to be done in three tranches over the first three years of implementation, with each release conditional upon the achievement of satisfactory progress in implementing certain policies. Disbursement for the first phase of civil works (rehabilitation) is linked to first tranche release conditions, and disbursements for the second and third phases of the civil works are contingent on successful implementation of priority health care programs in the districts where health facilities were previously rehabilitated.

## 2. Restricted Recurrent and Local-Cost Financing

3.22 Investments in human development are not capital-intensive and do not require massive infusions of foreign exchange. They need to be sustained, however, by recurrent development expenditures,



i.e., expenditures that need to be funded every year, but do not create tangible wealth-generating assets. In many instances, these expenditures are central to a long-term push to build the human part of development infrastructure. In fact, there is no economic rationale for the distinction between capital, non-incremental, and incremental recurrent costs; all these expenditures contribute to the creation of an

intangible asset -- improved skills. However, the present approach to lending for human development, predominantly articulated in the 1960s and 1970s, is deliberately patterned after the Bank's experience with lending for infrastructure projects. It has created a strong emphasis on rigorous analysis and estimation of project investment costs, but a reluctance to finance recurrent and local cost, even where this is demonstrably the most cost-effective way to support human development.

3.23 Current guidelines on recurrent cost financing provide wide latitude. As a result, practice in defining and financing recurrent cost varies widely across departments and has rarely explicitly recognized the developmental importance of recurrent expenditures. For example, some education projects incorporate salaries of teachers in new schools, while others do not include salaries in project cost. Unlike large repairs, maintenance expenditures are rarely project-funded. In nutrition, food supplements under certain conditions are eligible for Bank financing, although the line between what can be financed and what cannot be financed, remains unclear. The restriction on recurrent cost financing reflects the fact that in the appraisal of many Bank-supported human development projects, analysis of recurrent cost is limited to incremental recurrent expenditure generated by the specific investment rather than the whole array of sectoral recurrent budgetary needs. This is especially the case with specific investment loans, for which incremental recurrent costs are often negligible as a proportion of the national recurrent budget for human development as a whole. Since most Bank loans for human development are of this type, the Bank's involvement in analysis and policy dialogue regarding sectoral recurrent budgetary allocations and needs has been limited. In recent years, however, the Bank has become involved in public expenditure reviews, including the review of expenditures for human development which constitute a significant portion of the national budget. However, with the exception of sectoral adjustment operations, the increased analytical attention given to the level and efficiency of recurrent expenditure has rarely been reflected in project appraisal and conditionality.

3.24 The restriction of lending to direct and indirect foreign exchange content in middle-income countries is a further obstacle to broader Bank support for human development. It creates extremes, where urgent poverty-related support (labor-intensive in most cases) takes second place to computer systems and foreign advisers which are sometimes necessary but never sufficient. The present exclusion of local-cost financing in adjustment operations, furthermore, if sustained on legal grounds, and the need to make a short-term balance-of-payment case for SECALs predicated on human development reforms which have a much longer time horizon, will virtually guarantee that this critical sector is permanently under-represented in SECALs, unless alternative instruments are developed.

### 3. Insufficient Attention to Strategic Advice and Capacity-Building

3.25 The Bank currently is inadequately equipped to respond to demand for human development advice not linked to the lending cycle. Yet it is increasingly clear that transferring ideas as much as financial intermediation is fundamental to the Bank's business of promoting developmental change. While the transfer of know-how is often achievable within the project cycle, and its costs recoverable through the lending spread, the conventional bundling together of lending and technical assistance has serious limitations. There is no efficient mechanism, no internal or external market, for borrowers to signal their demand for technical assistance, so they either receive too much or too little advice and institution-building is treated as an add-on within the lending program. This assistance is also inherently skewed in favor of sectors (infrastructure) and countries (IDA or IBRD-competitive) where the "hardware" can ultimately carry the "software."



3.26 Human development suffers from these distortions to a greater extent than other priority activities, except environment, which is subsidized in recognition of benefits not directly captured by borrowers. The need for capacity-building in elaborating population strategy, measuring living standards, or strengthening educational assessment, for example, has no visible lending outcome per se, but the needs are pressing nonetheless. Human development is above all, experience-based, attitude- and contact-intensive, heavy on intangibles and low on cash flow. Related sector work and technical assistance should not be viewed as a "loss-leader" in a country program, out of equity concerns alone, however. It has as high a developmental payback as any alternative use of resources. This critical, long-gestation, but low-visibility output can be easily overlooked in a narrow focus on lending.

#### 4. Inadequate Staff Deployment and Support

3.27 PHR sector data from the 1990 Staff Attitude Survey clearly indicate that the overwhelming majority of PHR staff are committed to the Bank's goals, have a high opinion of their work, and believe that their work groups accomplish their goals. In addition, the majority (84%) are satisfied with their work; and most of them enjoy their jobs, have a sense of personal accomplishment, and feel that they have the opportunity to use their experience, skills, and training. However, PHR staff reported a higher stress level than Bank-wide ratings (62% to 54%). Higher-level PHR staff report significantly more pressure in their jobs and a more disruptive impact of work on their health, families and social life, and pursuit of outside interests. More than their Bank colleagues, PHR staff consider the amount of work expected of them unreasonable and that conflicting priorities and unexpected changes negatively affect their work. They also are less satisfied with the number and composition (skill, experience) of staff in their work groups.

3.28 This worrisome level of stress within the sector may be partially the result of self-generated expectations that have run ahead of capacity. But it is certainly related to real demands: (a) excess output targets compared to staff growth (significantly more than it is Bank-wide, see Figure 2 and Annex V), (b) changes in lending patterns that require new sector policy and institutional skills, and (c) new areas, e.g., social investment funds, integrated sectoral components that place staff in uncharted territories. These pressures are likely to continue in the 1990s as PHR continues to grow and diversify. Staff will have difficulty coping with these demands if the present workload, technical support, and staff development patterns persist.

3.29 Work Load. A fundamental objective of Bank reorganization was to ensure that country-specific needs determine the sectoral composition of sector work and lending program. Under this demand-driven system, PHR sector work, lending operations, and lending volume have grown dramatically (as detailed in Annexes III and IV), and are projected to grow even faster under the FY91-93 business plan. Within the envelope of overall operational resources, the CAM budget process has matched fairly well each division's initial "demand" for work-program staffweeks (sometimes increased later) with aggregate "supply" of resources (SOD staffweeks, support from TD and PRE, plus resources to hire consultants). The rapid growth in work program has essentially been accommodated by an increase in the budget for consultants. Regional reviews of the past three years have shown that the PHR sector is consistently at the uppermost end of the spectrum in terms of dependency on consultants (Annex VI). The advantages of flexibility in a relatively large consultant budget are offset by serious concerns: First, the Bank's experience is not pervasively reflected in country dialogue and lending operations when consultants account for the majority of mission and task teams, as is increasingly the case. Secondly, PHR task managers' time is increasingly consumed in recruiting consultants and editing their contributions to conform to Bank style. With growth in positions severely limited, PHR demands could essentially only be met by inter-sectoral transfers, for which there is no institutionalized process. Consequently, only some position transfers have been made, with varied approaches and uneven outcomes. This explains the slow increase in PHR staffing (only 17% average



increase during FY88-90 over the FY87 level), which contrasts sharply with the earlier cited increases in numbers and volume of lending operations (see Figure 2). The situation can become worse with the faster growth projected under the FY91-93 business plan (See Annexes III and IV).

3.30 Technical Support. The heterogeneity of the sector and its rapid growth have attracted generalists from other areas of the Bank. Only one-third of the staff are technical specialists in PHN and education, distributed over many units, leading to a lack of "critical mass" for the exchange of ideas (See Annex VII). Moreover, the deployment of staff over many units makes cross-fertilization and dissemination of best practices inherently difficult. While different regions are experimenting with peer review and quality assurance mechanisms, more needs to be done to ensure utilization of accumulated Bank experience.

3.31 Staff Development. Staff development is critical to maintaining expertise and vitality. PHR has been relatively aggressive in organizing training in the form of flagship courses (like the Stanford program for education and the population, nutrition, poverty and Women in Development training programs) to offer advanced study of sector developments. In addition, there is an active program of technical seminars to expand professional skills, brown bag seminars to provide access to outside knowledge and disseminate best practices, and newsletters to provide information on innovative projects and research findings. However, three issues require continued attention: (a) high staff turnover (more than 40 new staff join the sector every year) which necessitates systematic sectoral induction; (b) need for a systematic program to maintain skills of existing staff; and (c) lag of internal expertise in skills on fast-moving topics, such as social security, labor market policies, technology development, and quantitative analytical methods. Aggressive international recruitment coupled with advanced training of staff are needed to redress the situation.

## 5. Limited Monitoring and Impact Evaluation

3.32 Monitoring and evaluation in the human development sectors suffers from two important deficits: insufficient information about trends in social development, and lack of empirically sound evaluations of impact. The 1990 WDR demonstrates that, while trend data are available for a few social sector indicators (e.g., wages, life expectancy, childhood malnutrition, under-5 mortality rates), they are completely lacking for others (e.g., learning achievement). Trend data are more common for input indicators (e.g., school places, hospital beds) than for output indicators, but these do not provide information about the long-term effects of human development programs. Nor is this information provided by empirically sound impact evaluations, which are rarely planned and even more rarely implemented. As a result, both the Bank and its borrowers have little empirical evidence of the direct effect of their investment programs on social sector development. For example, only 5% of studies supported through Bank education loans examined the effect of the education investment program on students' learning achievement. Some impact evaluations have been undertaken with Bank Research Committee support, but few Bank lending operations in PHR have been subject to any externally sponsored evaluation. A standard policy of setting up and maintaining well-designed monitoring and evaluation schemes of human development projects, including the establishment of a good baseline, is necessary. With only modest up-front planning and resources, the Bank can capture golden opportunities to learn more about the impact of social interventions and the effects of Bank policy than it will ever learn from *ex post* econometric analysis.



### C. AN AGENDA FOR ACTION

3.33 The scope for diversifying and expanding the Bank's human development assistance, in response to country demand, is enormous. And, as the largest provider of external funding for such programs, its international leadership responsibilities are daunting. Yet, the Bank must recognize that in order to be effective it cannot do everything; it must be selective in the targetting and modalities of financing. The underlying premises in this section are that the Bank must concentrate its efforts on areas central to its mandate as an economic development institution and bring its unique perspective and expertise to bear on the international human development agenda and on the design and implementation of country-specific strategies. To leverage its comparative strengths in the human development sector, the Bank must: (a) concentrate on support for broad programs of reform and development; (b) relax restrictions on recurrent and local-cost financing; (c) facilitate advisory support unrelated to lending; (d) maintain high-quality expertise, and (e) improve impact evaluation.

#### 1. Concentrate on Support for Broad Programs of Reform and Development

3.34 As elaborated in chapter II, in order to attain acceptable levels of human development, countries need to undertake broad-based strategic reforms and actions: link human development with the external environment (macro-economic policies, demographic factors and infrastructure development), balance competing demands, re-define the government's role, and strengthen their institutional capacities. In the face of expanding needs and demands, yet possessing limited resources, the Bank must apply its comparatively strong skills to critical pressure points that assist countries in meeting these challenges. For this reason, and to exploit the powerful synergies that exist within the sector, the Bank's trademark output should be pitched at the level of sectoral analysis and change. *Analytically*, the implications of this are that sector work will need to be (i) firmly grounded in macro-economic strategies for growth and poverty alleviation (ii) based on in-depth technical analyses of sectoral constraints and (iii) reflect the relevant lessons of research and experience. *Operationally*, more use should be made of lending instruments that have a broader focus than specific investments, such as SILs, SECALs and hybrids (para. 3.20). Also included would be demand-driven, fund-type instruments with access criteria designed to create incentives for policy change. In many instances, this would require multi-year public expenditure (investment and recurrent) programs with widespread use of tranching, blurring the distinction between adjustment and investment lending (except for the foreign exchange restriction, see below). As a consequence, *appraisal of lending operations* should concentrate wherever possible on: quality of the proposed sectoral policy framework; the related public expenditure program, including conditions for financing specific programs; and the institutional and managerial capacity to execute the proposed program.

3.35 The success of moving toward broader sectoral approaches depends on both the Bank's operational expertise in economic and technical policy analysis and institutional appraisal and the borrowers' analytical and managerial capacities in sector analysis and project design, development, and implementation. Since the Bank's experience and expertise are not homogeneous across human development subsectors, nor are the borrowers' analytical capacities, implementation of a sectoral approach to human development must be differential, taking into consideration the Bank's knowledge base and a country's sectoral capacity.

3.36 In cases where national capacity is determined to be weak, the Bank should assist countries, in varying ways depending upon their needs. First, it should supplement the country's analytical deficiencies by continued involvement in sector analysis and project design. Second, it should actively assist countries to develop their own capacities by: (a) providing small, flexible (front-loaded) institution-building and operations research loans; (b) broadening the mandate of the Bank's budget for research support to include developing research capacity of universities and specialized research institutions in developing countries; and (c) responding to country demand for advice on human development programs which falls outside the lending



cycle (see para 3.42 below). Finally, a Bank focus on sectoral policies and institutional development must be complemented by the involvement of other agencies -- bilateral and multilateral cofinanciers, specialized bodies without independent funding, and NGOs -- which can more effectively support the design and implementation of grassroots programs. Bilaterals and UN agencies like UNICEF, with a strong field presence, can be highly complementary to the Bank: experiments with explicit work-sharing arrangements are already being carried out, and the practice is likely to spread to other countries and institutions. In the case of NGOs, among many innovations cited, the most effective collaboration has occurred where the Bank agrees with the government on a framework for contracting-out provision of low-cost service at the periphery.

## 2. Relax Restrictions on Recurrent and Local-Cost Financing

3.37 As elaborated, human development requires a concentrated, long-term commitment, not just for capital expenditure, but mostly for recurrent expenditure which comprises the bulk of budgetary requirements. Short of that, governments may be able to develop infrastructure, but not to finance the necessary associated costs, such as those of primary health care workers, drugs, textbooks, and teachers. Therefore, governments and donors need to enter into a compact ensuring that both will allocate their resources to priority areas in human development for a sufficiently lengthy period in order to make a real difference. For governments, this may involve accepting conditionality regarding reallocation of public expenditures (e.g., reduction in military spending), whereas for donors this may mean abstaining from financing low-priority capital investment projects. Bank lending will thus be most effective when it supports a national program for human development, which includes investment and recurrent expenditures. Bank financing should be available for all expenditures, irrespective of their accounting classification, provided a sustainable financial framework for sectoral development has been agreed.

3.38 Effective Bank support for human development thus requires lending for consolidated programs of both capital and recurrent expenditure. This approach, however, raises issues of sustainability when external support ends and risks of opening a fiscal "Pandora's box" for a sector in which recurrent costs are already high. To ensure sustainability and minimize fiscal risks, financing of recurrent expenditure should be prudently embedded in a financial policy framework for the sector and disbursement targeted on strategic categories of expenditure. Such a framework would be linked to the public expenditure dialogue through public expenditure reviews (PER) and public sector investment programs (PSIP) and would reflect agreement on the relative proportion of the budget to be allocated to human development programs. It would also reflect agreement on the allocation of budgetary resources within each sector. In some instances it will be desirable to link this agreed expenditure pattern effectively with external resource availability through the tranching of the loan. It should be noted, though, that in many cases, achieving the long-term human development needed to lift a country out of poverty will require substantial spending in the near term, the benefits of which will not be fully manifested until the longer term. This means that a country needs a level of expenditure in the next decade or two that may not be currently self-sustainable in order to reach the higher level of development in subsequent decades where it then would be able to sustain such expenditure on its own. It is thus important to recognize that the timeframe for sustainability in the area of human development is necessarily longer than can be realized during the lifetime of a Bank project. The strategies for reducing the dependence on external support will need to recognize the long gestation period.

3.39 Adopting a strategic and selective strategy for financing a wide range of expenditure minimizes fiscal risks. Selectivity may mean, for instance, that the government continues to finance all salaries and the Bank finances the remaining expenditures; or it may mean that government finances fully salaries and operating costs of a core program, and the Bank finances salaries and operating costs of a "fast track" or of some specific areas of expenditure like teacher/staff training. Selectivity can also provide a



mechanism for phased-down reduction of external support, slice by slice. In all cases, periodic reviews should be conducted to ensure that budgetary allocations by the country are appropriately made.

3.40 This broad interpretation of "human capital investment" should be codified as soon as possible in two areas. First, OMS 2.1 should be revised to (i) recognize economic (and not accounting) criteria as the basis for financing incremental recurrent cost; (ii) treat incremental recurrent-cost financing in the human development sector as the normal way of doing business, not an exception; (iii) insist on careful analysis of financing for recurrent cost in the sector; and (iv) insist on detailed analysis of the recurrent-cost implications of a project. The need for sectoral analysis of recurrent-cost financing is, of course, also a central element in those investment operations designed to finance a share of the total sectoral expenditure program. Meanwhile, country departments should make maximum use of the flexibility allowed under the current OMS to finance recurrent costs, even for upper middle-income countries.

3.41 Second, current OPSVP guidelines on local-cost financing require exceptions to be presented through the CSP process, on a country-by-country, not project-by-project, basis. It is proposed that CODOP draft a broader dispensation covering human development programs targeted at the poor or those directly affected by adjustment, using clear criteria for identifying these populations. The special case of adjustment loans was mentioned in Section C(1): if "slow-disbursing" adjustment lending predicated on recurring, not just critical, balance-of-payments needs is accepted (Summers memo, Feb. 7, 1991), the scope for human development adjustment loans would expand considerably. Such operations would in fact be indistinguishable from sector investment loans supporting a multi-year sectoral expenditure program.

3.42 Recurrent and local-cost financing raises fundamental issues that go beyond human development sectors and beyond the scope of this paper. They, however, need to be addressed explicitly and soon through a major Bank-wide review, ultimately involving the larger development community.

### 3. Facilitate Advisory Support Unrelated to Lending

3.43 While helping countries to strengthen their own institutional capacity can be effected through lending mechanisms cited in para. 3.35 above, there are clearly cases where needed assistance for capacity-building falls outside the traditional Bank work program. One way to address this issue is to allow a high degree of cross-subsidization (emphasizing freestanding institution-building work in the sector, at least, implying a lower lending-to-total CAM share). It is largely a matter of identifying and rewarding good current practice, not introducing new procedures or special treatment. Beyond that, the demand for technical assistance, unrelated to lending, and the extent of the Bank's responsiveness to such demand, should be further explored to assess whether there is scope for a separate budget facility aimed at institution-building for human development. Such "human development facility" would be demand-driven, responding to requests from member governments, not staff. While open to borrowers and non-borrowers alike, it could price its assistance differentially, according to ability to pay or repeat use. It would be additional to CAM and give priority to twinning arrangements for funding from specialized institutions. The study, to be conducted by a Bank-wide PHR task force, should take into account the work of the Task Force on technical assistance, chaired by R. Picciotto, and earlier experience with the energy assessment (ESMAP), environment (METAP, GEF) investment advisory services (FIAS), and region-specific initiatives, such as SDA and ACBI.

### 4. Maintain High-Quality Expertise

3.44 The effectiveness of the Bank in supporting human development in the 1990s will hinge on the its operational staff's dedication and quality. Yet, the intensified operational emphasis on human development has created a high-pressure work environment which is unsustainable over the longer term



(paras. 3.26-3.28). It is also threatening to erode the traditions of technical excellence to which the sector has long been committed, as operational staff are forced to make shortcuts and relax customary standards of quality. Preserving the Bank's technical excellence and operational rigor that has been built in the human development sector over more than two decades of lending will require (i) reducing the pressure on operational staff; and (ii) sustained investment in staff development, coupled with aggressive international recruitment.

3.45 Reducing the Pressure. The work program and staff resources must be harmonized in order to relieve severe pressure. This requires that (a) line managers adopt more realistic expectations in the work program than that which ran ahead of capacity, and (b) country departments ensure, through the CAM process, that growth in staff allocation is broadly commensurate with growth in number of lending operations (see Figure 2). The volume of lending operations has been increasing and can be expected to increase due to more general use of sector lending instruments for sectoral investment, allowing significant gains in productivity per staff, according to lending volume.

3.46 Staff Development. Sustained investment in staff development is pivotal to the success of other elements of the agenda for action proposed. Professional development activities should be channelled into:

- (a) Response to new opportunities through flagship courses at leading universities or specialized institutions in new areas that emerge from advances in human development knowledge worldwide, Bank policy work, and the experience of borrowers.
- (b) Expansion of skills through technical seminars designed to prepare staff to handle a range of analytical and operational tasks, focusing on well-developed techniques and skills that are not mastered by all staff who need them.
- (c) Exchange of best practice through professional staff interest groups, several of which have already been established (vocational training, higher education, science and technology, population, health economics). These fora must be supplemented by an expanded use of general operation reviews (GORs) to synthesize Bank experience and by the compilation of resource guides along the lines of the "Poverty Handbook."
- (d) Access to outside knowledge promoted through seminars on external research findings and analytical work.

## 5. Improve Impact Evaluation

3.47 Building on the substantial body of policy and research generated so far, the Bank should now move systematically into the development of the empirical underpinnings for policy choice and selecting intervention in the different areas of human development, and the best-practice basis for generalizing the use of new lending instruments. The subject is complex and must integrate information from many disciplines. In many instances, knowledge can only be developed by learning the lessons of experience, through carefully designed programs of monitoring and evaluation. This requires action on four fronts:

- Developing and refining social output indicators and consistently applying them -- especially in CSPs and SALs -- to establish a country baseline, to formulate country strategies, and to measure impact of policy reforms.

- Including monitoring and evaluation components as a standard practice in human development projects and supporting cross-sectoral surveys such as LSMS through SALs or related technical assistance loans, particularly where grant resources are not immediately available. In some instances, it is advantageous to co-finance such components with Research Committee funds to be able to extend monitoring beyond the life of the project and to ensure the Bank's technical input during the design, implementation and analysis stages.
- Strengthening coordination between PRE and the TDs to enhance complementarities in developing social indicators, in providing operational support for the design of prototype monitoring and evaluation components, and in synthesizing results.
- Disseminating the accumulated knowledge about the comparative effectiveness of different human development interventions to aid both the Bank and countries in targeting their investments.

#### D. RESOURCE ALLOCATION

3.48 Lending for human development has grown dramatically over the past five years and is projected to grow even faster under the FY91-93 business plan (see Annexes III and IV). This growth will certainly necessitate a significant increase in resources justified by demand. There are, however, no special resource increments requested outside the normal internal country-based allocation mechanism in OPS and the budgetary process in PRS. Within the envelope of overall operational resources, the CAM budget process can match fairly well the approved lending program demands with aggregate supply of resources. Growth in resources, though, should be reflected in an increase in staff allocation to decrease dependency on consultants for the reasons cited in para. 3.28 above.



## WORLDWIDE HUMAN DEVELOPMENT INITIATIVES

The Alma Ata Conference on Primary Health Care (1978) affirmed health as an integral part of the overall developmental and political process. It aimed at attainment by all, by the year 2000, of a level of health that ensures the ability to lead socially and economically productive lives. In follow-up, a broad-based group of international agencies and health professionals launched the Task Force for Child Survival. The goal is to immunize all children of the world and to promote other effective means for ensuring their survival, ranging from oral rehydration to family planning.

The 1984 Conference on Population (1984) reavowed the importance of the World Population Plan of Action adopted at the 1974 Conference, which urged that population policies be considered integral components of socio-economic development policies. The Conference further underscored the necessity of political commitment and international co-operation in the field of population, and the responsibility of the United Nations family.

The UN World Conference on Women (1985) reaffirmed the international concern for the status of women expressed at the 1975 Conference. It called for the elimination of illiteracy by the year 2000, increasing the life expectancy for all women to at least 65 years, and providing women the opportunity for self-supporting employment. Finally, it propounded the full and comprehensive implementation of laws guaranteeing women's equality in all spheres of life to ensure an equitable socio-economic framework within which real development could take place.

The Safe Motherhood Initiative (1987) integrated health care for the mother with that of the child and promoted the socioeconomic potential of women, an equally vulnerable group that bears a disproportionate burden of poverty. To reduce the half million pregnancy-related deaths each year in the developing world, solutions involved improving the health, nutrition, and education of women and providing family planning information and services.

Because the alleviation of poverty requires both safeguarding physical well-being and development of cognitive and productive skills, the World Conference on Education for All (WCEFA) (1990), in Jomtien, Thailand, was a logical and complementary step. It called for universal access to basic education by the year 2000. Participants, including delegates from 155 governments, reaffirmed that education is a "fundamental right for all people," and that it helps ensure a healthier, more prosperous and environmentally sound world. Moreover, the Development Assistance Committee of OECD is looking into ways by which donors can be more effective in meeting the objectives of WCEFA, and will be meeting in 1992 to find the mechanisms to do it. Concurrently, UNDP has undertaken to produce the first annual *Human Development Report* to underscore the centrality of the human dimension of development and to monitor its progress.

These international initiatives for human development were finally elevated to the highest political level at the World Summit for Children, held in New York, September 1990. Attended by 65 heads of state, the Summit reiterated all previous concerns for human development. By setting the survival, protection, and development of children as the focal point of international commitment, the summit magnified the central importance of education, nutrition, health, family planning, and empowerment of women and girls in building the foundation for the future.



## ANNEX II

## INVESTMENT IN PEOPLE: SUMMARY OF EVIDENCE

Productivity Effects and Economic Growth. Individual gains in productivity through education, health and nutrition clearly translate into macro-economic gains. The economic returns to investments in schooling are, for the most part, substantial: in general, they are the highest for primary education, large for secondary, and often less, but still significant, for higher levels. Scores of studies document the positive effects of education on wage earnings, farmer productivity and profitability of small-scale enterprises. The contribution to economic growth is well illustrated by the rapid economic development of Japan, and more recently Korea, facilitated by a strong human capital base. Further, educational effects explain almost a third of the difference in growth rates achieved by East Asian economies. Investments in education are particularly effective in conjunction with a favorable economic policy environment.

The effect of better health and nutrition on productivity, though less well documented, may be quite significant. There is increasing evidence that major gains in productivity can be gotten through quite small investments in health and nutrition (as exemplified in Indonesia), and that these investments (at least in health), can have very high rates of return (for the treatment of TB and cataracts, for example). Recent studies also show that investments in health and nutrition contribute to increases in GDP by ensuring the attainment of full genetic potential, improving learning and averting illness, reducing the number of missed workdays (which is much higher in developing than in developed countries), and improving work performance. In addition, these investments could prolong participation in the work force, thereby contributing to economic growth. Finally, investments in family planning bring about lower fertility which compounds the productivity effects of improved health and education by increasing per capita gains.

Investments in Women. Evidence is compelling that women are central to the effectiveness of a broad range of investments in human development. The association is strong between education of the mother and general health and well-being of her family: children of better-educated women tend to be better nourished and healthier. Higher levels of female education also result in increased adoption of contraception and lower fertility. Finally, women account for at least half the food produced in the developing world, and one-third of the wage labor force, and their access to education and training is likely to raise productivity in all sectors.

Synergies. An increasingly clear finding in the analytical work on human development is the synergy among various elements, with women at the center of these linkages, as noted above. Evidence also highlights other synergies: (i) nutritional supplements to school-age children contribute to their attendance and achievement; (ii) improvements in health and education reduce the preference for a large family and slow down population growth; and (iii) early childhood nutrition, health and education interventions enhance cognitive development and school achievement.



## Human Development Projects, FY85-93, by Region

	<u>FY85-87</u>	<u>FY88-90</u>	<u>FY91-93</u>	<u>% Change</u>	
				<u>FY88-90 over FY85-87</u>	<u>Planned FY91-93 over FY88-90</u>
<u>Education</u>					
AFRICA	18	21	32	17	52
ASIA	12	25	27	108	8
EMENA	13	10	16	-23	60
LAC	9	5	20	-44	300
TOTAL	52	61	95	17	56
<u>PHN</u>					
AFRICA	12	13	24	8	85
ASIA	6	8	19	33	138
EMENA	3	4	12	33	200
LAC	3	6	11	100	83
TOTAL	24	31	66	29	113
<u>OTHER*</u>					
AFRICA	N/A	4	7	N/A	75
ASIA	N/A	0	1	N/A	N/A
EMENA	N/A	0	3	N/A	N/A
LAC	N/A	2	8	N/A	300
TOTAL	N/A	6	19	N/A	217

\*Social development projects.

Source: MIS data as of May 16, 1991.

## Annex IV

**PHR Lending Volume, FY85-93, by Region**  
(US\$ million)

	<u>FY85-87</u>	<u>FY88-90</u>	<u>FY91-93</u>	<u>% Change</u>	
				<u>FY88-90 over FY85-87</u>	<u>Planned FY91-93 over FY88-90</u>
<u>Education</u>					
AFRICA	358	617	1,251	72.3	102.8
ASIA	947	1,743	2,363.6	84.1	35.6
EMENA	620	726	1,265	17.1	74.2
LAC	291	228	2,142	-21.6	839.5
TOTAL	2,216	3,314	7,021.6	49.5	111.9
<u>PHN</u>					
AFRICA	176	365.5	860	107.7	135.3
ASIA	327	557.2	1,628	70.4	192.2
EMENA	54.9	198.5	784	261.6	295.0
LAC	106	547.2	1,376.6	416.2	151.6
TOTAL	663.9	1,668.4	4,648.3	151.3	178.6
<u>OTHER*</u>					
AFRICA	0	75.1	194.7	N/A	159.3
ASIA	0	0	57.5	N/A	N/A
EMENA	0	0	172.5	N/A	N/A
LAC	0	43.6	324.4	N/A	644.0
Total	0	118.7	749.1	N/A	531.1

\*Social development projects

Source: MIS data as of May 16, 1991



**Trends in Lending, FY85-90, by Category**  
(In US\$ Million)

	<u>Ave. FY85-87</u>	<u>Ave. FY88-90</u>	<u>% Change</u>
Agriculture & Rural Development	3,819	3,880	1.6
Development Finance Co.	1,437.5	1,977.6	37.6
Education	732.3	1,104.8	50.9
Energy	3,434.6	3,187.6	-7.2
Industry	627.8	1,667.6	165.6
Nonproject	1,461.4	2,277.5	55.8
PHN	221.5	596.1	169.1
Public-Sector Management	0	396.9	N/A
Small-scale Enterprises	418.9	435.2	3.9
Technical Assistance	117.2	151.7	29.4
Telecommunication	284.8	271.2	-4.8
Transportation	1,794.3	2,419.5	34.8
Urban Development	990.4	1,311.5	32.4
Water Supply and Sewerage	785	752.8	-4.1
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Total	16,124.7	20,429.9	26.7
*PHN (Without Other)	221.5	556.1	151.1
*Education, PHN, and Other	953.8	1,700.9	78.3
*Education and PHN (Without Other)	953.8	1,660.9	74.1
<b>Total Number of Bank Projects</b>	<b>233</b>	<b>221</b>	<b>-5.01</b>

Dependency on Consultants:  
The Ratio of Department Consultants to Own Staff in Africa Region\*  
 (Actual Staffyear Sources)

	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>
Country Operations	0.13	16.1	13.8	11.4
Agriculture Operations	15.9	14.8	14	11.6
Industrial/Energy Operations	14.5	11	11.5	23.3
Infrastructure Operations	19.3	19.3	19	28.3
Population & Human Resources Operations	22.8	21.8	23	27.8
Total	14	14.9	14.6	17.1

\*Includes local higher staff/consultant at 25% discount

Source: Africa Region, Regional Staffing Reports



**High-Level PHR Staff**

	<u>Africa</u>	<u>Asia</u>	<u>EMENA</u>	<u>LAC</u>	<u>PRE</u>	<u>Total</u>	<u>% Share</u>
Administration/Facilities	0	0	0	1	1	2	0.7
Economics/Finance	20	17	14	15	16	82	30.4
Line Management	7	6	5	4	5	27	10.0
Research	4	5	2	1	6	18	6.7
Senior Management	0	0	0	0	1	1	0.4
Technical Specialists							
Education*	13	10	12	5	7	47	17.4
PHN	16	10	4	2	8	40	14.8
Architecture/Construction	4	4	1	0	0	9	3.3
Project Operation	8	8	7	7	0	30	11.1
Public/Private Sector Management	1	0	0	1	0	2	0.7
Urban	0	1	0	0	0	1	0.4
Water/Sanitation	0	3	0	0	0	3	1.1
Other	0	1	1	0	2	4	1.5
Subtotal, Technical Specialists	42	37	25	15	17	136	50.4
Other	1	1	0	0	1	3	1.1
<b>TOTAL</b>	<b>74</b>	<b>66</b>	<b>46</b>	<b>36</b>	<b>48</b>	<b>270</b>	<b>100.0</b>

\*Includes training, evaluation, sociology, and technical/vocational training.

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION  
**OFFICE MEMORANDUM**

DATE: June 14, 1991

TO: Mr. Wilfried Thalwitz, PRESV

FROM: R. Picciotto, CRBVP

EXT: 84569

SUBJECT: **Human Development: A Strategy for the 1990s**

*Handwritten:* 7/6, 7/6, 2.46 (0/5)  
**RECEIVED**  
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91 JUN 17 AM 10:08  
OFFICE OF THE VICE PRESIDENT  
SECTOR POLICY & RESEARCH

1. I was unable to attend the PRE Meeting due to the budget crunch. I would like to state first that this is a good if rather general statement of strategy. It proposes longer term institutional goals and hints without well defined solutions that the Bank's array of instruments might fall short of those needed to support the fundamental goal of human development. While the strategic directions proposed by the paper are sound, a better justification for the directions proposed is needed and the special pleading for a grant facility is premature.

2. The paper might draw on this year's **World Development Report**. One of its main findings, supported by a wealth of fresh data and analysis which the HRS paper could cite, is that success in development is strongly correlated with a combination of high investments in education and social sectors and appropriate economic management policies. Also, there is not a single section in the paper discussing the actual effectiveness of past Bank instruments and strategies; excluding boxes 1 and 2, which give rough estimates of the effectiveness of inter-sectoral investment choices in terms of social indicators, all boxes discuss the "input" side of the strategy, and projects which have just recently been approved.

3. I have doubts about the maturity of the proposal regarding a "human development facility", similar to the African Capacity Building Initiative. The paper suggests that sources of funding for this facility, after a "modest" startup grant from the Bank, might include UNDP and Japan. This could be proposed for almost any initiative and the proposal that details on the implementation of this facility be established by the Bank-wide Task Force on Technical Assistance (para. 3.38) is inappropriate given the terms of reference of the Task Force.

4. In the diagnosis presented in section I.B, the authors might wish to address urban-rural distinctions, since they are mentioned in subsequent parts of the paper (e.g. paras 2.05 and 2.06). Also, there might seem to be a redundancy in the assertion that "the direct cost of public schooling is borne almost entirely by governments worldwide". (para. 2.14) For a non-specialized reader, "public" schooling is defined always as that funded by the government (except in the U.K.!).

cc: Messrs/Mmes: V. Rajagopalan  
A. Hamilton  
R. Lynn  
J. Murli  
C. Jones-Carroll  
M. Montoliu



~~V.R. Tr~~  
V

The World Bank/IFC/MIGA  
OFFICE MEMORANDUM

DATE: 14-Jun-1991 06:49pm

TO: Wadi Haddad ( WADI HADDAD )

FROM: Michel Palein, AF1PH ( MICHEL PALEIN )

EXT.: 34738

SUBJECT: Human Development Strategy Paper

Wadi:

I am glad we had a good discussion today because it made it appear that many of my criticisms (reproduced below for the record) stemmed from the fact that the Executive Summary did not do justice to the text, even though we were very much on the same wavelength. It should be relatively easy to correct and I believe it would be in the best interest of future readers that it be done. Please look at my comments of last Wednesday in that light.

Michel

\*\*\*\*\*  
COMMENTS:

Let me first strongly welcome the emergence of an umbrella document providing a framework for all other HRD policy work. This unified presentation should stimulate synergistic approaches, increase coherence, help the sector grow out of its still fragmented configuration and gain in stature, and strengthen the perception of HRD as a whole that is key and part and parcel of the development paradigm.

I suscribe to most of what the paper says, yet do not feel totally comfortable with it. Mainly, I think, because the Summary ends up eschewing a critical dimension: the enabling environment and its implications for sustainability, which I discuss at the end.

Here are first several comments on the Executive Summary (with implications for the main text):

ii. In contrasting high expectations with results, I would add to unacceptable levels of literacy and schooling: lower than expected contribution to gainful employment and self-employment [emphasis on outcomes].

iii. In priorities for investment, it would be good to emphasize indigenous creativity and not just passive technology adoption by rephrasing the alinea b) to read: "..opportunities

for ... skills to utilize **and generate** new technologies..."

The final exhortation (end of the alinea) seems to imply that the problem is technical (sector analysis, policy design) whereas one can argue that the essential (and missing) ingredients are political in nature requiring vision, leadership, consensus, commitment, confirmed by the establishment and maintenance of monitoring and evaluation mechanisms.

v. The second half of the paragraph deals inadequately with adjustment lending, casually casting doubts on its rationale, and being extremely limitative and inaccurate in the description of its objectives and achievements. This awkward treatment unfortunately suggests a neglect of the framework for sectoral investment - to the improvement of which sectoral adjustment lending may usefully contribute (by elevating the debate to higher levels of decision making, involving new influential actors and monitoring mechanisms, introducing a national focus on HRD rather than a sectoral one, and permitting to address more underlying constraints than the conventional approach) - a recipe for future failures.

ix. 1. Sector work: what we need is greater local ownership of SW, not just more, or better oriented SW.

Again, it would be good to emphasize the need for the Bank (and other donors) to promote national commitment to HRD, and the establishment of national policy formulation, monitoring and resource mobilization and allocation mechanisms.

2. What is the need for a special budget facility? Why not using the existing PPF and SPPF facilities or reinforce/replenish them? I note that, fortunately, it is not proposed to create a new unit which, in addition to raising questions of locus, would encourage even more substitution to local involvement than already exists.

3. I do believe that we should enjoy more flexibility in the financing of recurrent costs. However, I do not consider that the case can rest solely on needs considerations. The argument concerning sustainability, which inspired the present guidelines, is a very serious one. Governments must be encouraged to do their utmost to domestically finance priority programs. We do not need guidelines that are a license to indirectly finance white elephants at best and military expenditures and repression at worst. Where I come out is that, yes, our guidelines should allow us to provide our assistance in whatever form is the most appropriate in a given set of circumstances to achieve the objective, but there should be clear evidence that the government is committed to that same objective.

Sustainability

Most of the above comments reflect my serious concern that



we may continue to believe that what the Bank does is more important than what countries do. In my view, there is no substitute for governments placing HRD on the top of their strategic agenda and translating this into tangible proofs of commitment, including - besides declarations - effective monitoring systems and duly mandated, organized, informed and accountable sectoral implementing institutions. Where countries have not reached that stage, our leadership should primarily concentrate on bringing our influence (and we have a comparative advantage here, hence no excuse for not doing it) to bear on the environment for change - hence processes -, not just on the content, even if many of us feel more comfortable with the latter. It is not enough that we should do good (technical) work if we do not devote enough energy to the promotion of internal conditions conducive to the actual use of that work. We can of course delay the test on this by forcing people to "improve" through "our" projects, a short-sighted approach. I believe in results, but prefer ones that multiply.

This notion of a strategic in-country HRD agenda is missing from the paper at the risk of making the world believe that it can expect change in a static environment for change. This may explain why certain actions initiated by some of us and going in the direction of enabling public institutions and empowering people are ignored in the paper. Am I asking too much? Like government strategies, Bank policy should be evolutive and perhaps more can be said about the sustainability issue later on... when OED comes back to haunt us.

#### Conclusion

All the same, I see that a lot of effort has gone into the paper. It contains a lot of good stuff. I would like you to be able to bring this exercise to closure. Only I believe it would be a shame not to address the country problem in some more depth. And finally, but still somewhat in the same vein, I welcome the statement setting as a principle that priority should be given to addressing the right issues in a cost-effective way, rather than bloating the sector, and to reliance on client demand or prudently anticipating client demand. Advocacy should be based on results, not agendas.

CC: Visvanathan Rajagopalan  
CC: Ann Hamilton  
CC: Michael J. Gillette  
CC: Padmini K. Nair

( VISVANATHAN RAJAGOPALAN )  
( ANN HAMILTON )  
( MICHAEL GILLETTE )  
( PADMINI NAIR )

## OFFICE MEMORANDUM

DATE: June 14, 1991

TO: Mr. Visvanathan Rajagopalan, PRSVP

FROM: Gerald Flood, Acting Director, LA3DR

EXTENSION: 31991

SUBJECT: Human Development Strategy Paper

RECEIVED

013  
91 JUN 17 PM 4:16OFFICE OF THE DEPUTY DIRECTOR  
SECTOR POLICY & RESEARCH

1. With regard to your memorandum dated June 5, 1991, I herewith send you our comments regarding the Human Development Strategy Paper.

2. This is an extremely useful paper that provides a good review of the importance of Human Development as a tool to foster growth and reduce poverty, the Bank's past achievements in this area, and the agenda for the nineties. We agree in general with the thrust of the recommendations, but we would like to raise two issues: on recurrent cost financing and on the proposed "human development facility".

Recurrent Cost Financing

3. In order to strengthen the case for recurrent cost financing, it is imperative to address the case against it. As it stands now, the paper proposes "maximum flexibility", but almost totally ignores the debate that has been going on -and is going on- on this issue. What has changed that makes the authors believe that the recommendation will be accepted this time, while previous efforts failed? Are there better theoretical arguments? Is there empirical evidence that we can be more effective if the restrictions are lifted? Have the counter-arguments lost their power? The case needs to be made much more forceful, in full recognition of the possible negative aspects.

Human Development Facility

4. The case for a separate facility to assist countries in "capacity building" outside the lending program is well made. So much so, that it is surprising to read that the facility should be funded from external sources. If "capacity building" is indeed such an important aspect of our overall Human Development efforts -and we agree that it is- the Bank's commitment to it should be reflected in its budget's priorities. The paper is trying too hard to avoid being an "advocacy" paper. As a result the new facility is presented as merely a nice idea that somebody else should pay for. This is unfortunate, given the importance of the issue.



cc: AOH/PH  
& 6/19

THE WORLD BANK / IFC / M. I. G. A.  
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DATE *6/19/91* NO. OF PAGES *6* MESSAGE NO.

TO Name *Pauline Clephane* Fax Tel. No. *7-0644*  
Company/Organization City & Country

FROM Name *Dory Morao* Fax Tel. No. *3-3112*

Dept/Div. Name *AFTDR* Dept/Div No. *238/05*

Room No. *13073* Telephone No. *3-4302*

SUBJECT/REFERENCE *Human Dev: A Strategy for The 1990s*

MESSAGE

*Pauline,  
We spoke.*

*Thanks  
Dory*

Transmission authorized by *Amerao*

If you experience any problem in receiving this transmission, inform the sender at the telephone or fax number listed above.

*Minor comments in the margins - PRSVP called up you have any comments -*  
*Ok with me, but check w/ [unclear] before sending*  
*18/6/13*  
*Shanku*  
*D 6/13*

The World Bank/IFC/MIGA  
OFFICE MEMORANDUM

DATE: 05-Jun-1991 02:42pm

TO: See Distribution Below

FROM: Visvanathan Rajagopalan, PRSVP ( VISVANATHAN RAJAGOPALAN )

EXT.: 33419

SUBJECT: Human Development: A Strategy for the 1990s

*(2) Dery*

During the recent lunches that I have had with a number of CD Directors, I had expressed my frustration with the inefficiencies in the sector policy formulation process in the Bank. Specifically, I had noted that it has been an unusual occurrence to have you or your designated representatives, present at reviews that I chair of initiating policy briefs and draft sector policy and strategy papers.

I chaired a meeting last Monday on the above strategy paper and in a group of some 30 participants, there was one CD Director and one TD Director. The rest of the participants were representatives of the human resources sectors.

Some of you had suggested that I should alert you via electronic mail (EM) of policy and strategy issues that deserve your personal attention. I believe that this paper meets that requirement.

Accordingly, I am sending you this EM with the attached Executive Summary of the above paper. The paper was sent to you by Mrs. Ann Hamilton on May 24, 1991. Your comments would be appreciated by c.o.b. June 12, 1991.

Attachment

EXECUTIVE SUMMARY

The Global Challenge

i. Investments in people are increasingly recognized by the Bank, its borrowers and the international community at large as critical to sustainable development. Based on a wealth of research evidence and country experience, there is now broad consensus that such investments -- in education, health, nutrition, population concerns, and the socioeconomic role of women -- are pivotal to individual productivity that translates into macro-economic growth. These investments have strong



synergistic effects, with women at the center of such linkages. Combined, they constitute the elements of human development, as appropriately coined in WDR, 1980. (Herein the term is used in the same way.) Entering the 1990s, human development is at the heart of the Bank's development strategy for spurring economic growth, alleviating poverty and effecting technological progress.

ii. Substantial progress has been achieved over the past three decades in human development. Yet, high expectations as to what such investments can accomplish, continue to contrast sharply with the unacceptable levels of life expectancy, nutrition, health, literacy and schooling, particularly among women and children, in developing countries. If current trends persist, prospects for the 1990s are not better.

#### Strategic Choices at the Country Level

iii. Countries cannot attain acceptable levels of human development with purely technical measures or quick-fixes. Human development has a heavy political dimension, involves a vast array of providers and beneficiaries, demands a high recurrent/capital expenditure ratio, and requires a long gestation period. At the same time, economic reality is harsh for many countries and the need to restructure economies or realign policies impinges on the investment base. Consequently, countries need to make long-term investments based on difficult policy choices, conditioned by macro-economic policies, demographic change, and infrastructure. As the demand for human services escalates, policymakers will confront choices between competing, yet complementary, priorities for human development investment: (a) universal access to basic services so that all people have opportunities to attain at least an acceptable minimum of physical well-being, education and earnings, and (b) selective opportunities for advanced knowledge and skills to utilize new technologies and to advance development of the economy. In setting priorities among competing demands, the role of women is fundamental to overall success in economic development, not just as an imperative for gender equity. To capture externalities and to meet competing demands will require a shift away from existing practice toward more consciously targeted government investment and involvement, and systematic tapping of non-governmental alternatives where feasible. Finally, to accomplish all the above, countries must invest in the development of national capacity for sector analysis (particularly to capture human development synergies and macro-economic linkages), the design of effective policies, and implementation at the local level.

#### Bank Responsiveness

iv. How can the Bank best assist borrowers as they wrestle with sectoral policy, competing demands for resources, trade-offs in terms of cost and effectiveness, selecting what tasks the state should implement and what should be delegated to



other players, what skills and capacity need to be developed to do all of the foregoing? How substantively and structurally prepared is it to meet the challenges posed by its clients?

v. Since 1963, the Bank has increasingly broadened the scope of its human development lending, realizing a more encompassing rationale for such investment. The skills-for-productivity rationale of the 1960s limited education lending to technical training and vocational schools. The equity-with-growth rationale of the 1970s gave way to more emphasis on basic human services. With the start of adjustment lending in the 1980s, the importance of the linkage between human resource policies and the external environment gradually became clearer, and the Bank has become more proactive in its advice for sector-wide policies. The evolution of these rationales has not been seamless nor without contention. Nonetheless, the evolution effected expansion and diversification into new areas, including social action funds and broader social safety net initiatives.

vi. The Bank has also developed a significant body of knowledge and experience from its lending operations and research and policy work. These advances made possible the emergence and use of advanced tools for sector analysis and ability to identify the kind of services and aspects of their delivery that contribute most cost-effectively to human development.

vii. Bank structure has also been realigned to be more congruent with the substantive focus of its work on human development issues. As a result, it is better poised to take advantage of the many synergies in the sector and to allow for more coherent choices regarding human development within a country's macro-economic framework.

viii. Despite these gains in the Bank's ability to promote human development, much remains to be done. Aside from country-level hurdles, the Bank faces its own limitations: traditional and restrictive lending practices do not sufficiently exploit synergies and linkages at the country level and resist large-scale funding of recurrent costs and local-cost financing; outside the lending cycle, the Bank also cannot adequately serve the needs of borrowers for advice on human development policies and investment; in house, demands on sectoral staff have strained capacity to the limit or have foisted work onto consultants. These limitations are out of synch with long-term trends and demands on the sector and should be rectified.

#### Bank Agenda for Action

ix. The scope for diversifying and expanding the Bank's human development assistance, in response to country demand, is enormous. Yet to be effective, the Bank must be selective and concentrate its efforts, as an economic development institution, on an integrated sectoral approach to human development within the macro-economic context. To this end, the Bank must:

*these  
are  
overdone  
as obstacles*



1. Concentrate on support for sector-wide programs for human development at a pace consistent with its sectoral knowledge and borrowers' analytical and managerial capacity. This calls for sector work that is firmly grounded in macro-economic strategies for growth and poverty alleviation, for broader use of sector investment loans and for appraisal of lending operations focusing on proposed policy reforms and institutional capacity to execute them. Where the borrower's capacity is weak, the Bank will continue to support specific investment loans, and at the same time, actively assist countries to develop their own capacities with targeted loans, special technical assistance, and involvement of NGOs and international agencies.

2. Facilitate advisory support where needed assistance for capacity building falls outside the Bank lending program. A separate budget facility is proposed, funded mainly from external sources, to support strategic advice to governments in those frequently occurring situations where such advice cannot and should not be carried by lending.

3. Relax restrictions on recurrent and local-cost financing in line with the broad interpretation of "human capital investment." Effective and broad support for human development, particularly poverty-related support, requires Bank support of a share of sectoral expenditure programs, irrespective of the nature of the expenditure. It is proposed that maximum flexibility be applied to incremental recurrent and local-cost financing for human development, especially those targeted at the poor.

4. Maintain and improve the expertise among Bank staff. This requires reducing the pressure on operational staff, strengthening the knowledge base and disseminating it, and sustaining investment in staff development.

x. Lending for human development has grown dramatically over the past five years and is expected to grow even faster in the coming years. While this growth will certainly necessitate a significant increase in resources, they will be justified by demand. There are, therefore, no special resource increments requested outside the normal internal country-based allocation mechanism in OPS and the budgetary process in PRS. The proposed special budget facility can be started with a modest grant from the Bank and funded externally.

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 TO: Shinji Asanuma  
 TO: Pieter P. Bottelier

( FRANCISCO AGUIRRE-SACASA )  
 ( SHINJI ASANUMA )  
 ( PIETER P. BOTTELIER )

*new things coming a bit tired of us doing this*

*Yes, Very much needed - excellent*

*Yes, but will it be done??*

*Then we want get very far!*

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