HUMAN DEVELOPMENT:
A Bank Strategy for the 1990s

Population and Human Resources Department
The World Bank

September 1991

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HUMAN DEVELOPMENT: A BANK STRATEGY FOR THE 1990s

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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 WWR 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 -- an expanded and broadened role, integrated structure, and country focus -- for which the Bank has been 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 level 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. Progress in human development will be influenced by five sets of issues: demographic trends that imply increasing demand for scarce resources; country economic constraints that affect allocation of resources to the social sectors; potential negative impact of policy reforms and adjustment programs; limited administrative capacities in the social sectors; and, finally, social and cultural factors that constrain utilization of social services.

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. This makes budget choices complicated, even from the point of human development alone, and reemphasizes the need for cost-effectiveness and careful choice of priorities.

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 investing 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, 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 imbue 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" view -- bricks and mortar -- 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. Optimize Recurrent-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 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 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 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 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 is being revised to reflect the above broad interpretation of "human capital investment" and the sustainability and selectivity criteria for financing recurrent expenditure.

xvii. Facilitate advisory support where needed assistance for capacity building falls outside the Bank lending program. The Report of the Technical Assistance Review Task Force (TARTF), chaired by Mr. Picciotto, identifies a gap in the Bank’s "tool kit" of development funding, namely, the injection of incremental grant resources to finance upstream advisory assistance and institution building. The Task Force recommends a grant facility, with initial allocation of $50 million from net income to be used, "on a selective basis, for the express purpose of strengthening the front end of the technical assistance cycle and with adequate safeguards to avoid displacing other instruments." In the light of this Report, an ad hoc working group of PHR staff and others should study the demand for technical assistance for human development, unrelated to lending, and the extent of the Bank’s responsiveness to such demand, and review the implications of the TARTF recommendations.

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 among PRS, DEC, 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 level 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 -- an expanded and broadened role, integrated structure, and country focus -- for which the Bank has been 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 "investing in people, if done right, provides the firmest foundation for lasting development" (p.4) and that productivity, the engine of development, is driven by
technological progress, which is in turn influenced by human capital. 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 WDR 1990, WDR 1991 and other 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.

**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? Five sets of issues will influence progress in human development: demographic trends that imply increasing demand for scarce resources; country economic constraints that affect allocation of resources to the social sectors; potential negative impact of policy reforms and adjustment programs; limited administrative capacities in the social sectors; and, finally, social and cultural factors that constrain utilization of social services.

1.12 Demographic trend. Nearly all global population growth will occur in developing countries with an estimated addition of 85 million people each year. Developing world 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. Persistent high fertility in many countries will spawn rapid population growth 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.

1.13 Economic constraints. Baseline projections to the year 2000 (WDR 1991) show that economic growth could be significant in a number of developing countries, but much lower in others. For example, the Asian newly industrialized countries, as well as China and India, are expected to grow faster than the average baseline of 4.9% per year in the WDR 1991 scenario (provided they adopt favorable domestic policies). Further, by the mid-1990s, some of the large economies that have embarked on wide-ranging reform (Brazil, Mexico, and Venezuela) may be able to achieve a significantly faster growth than projected. However, economic growth in many poor countries will be less impressive. Average per capita incomes in sub-Saharan Africa are expected to grow less than 1% a year in the first half of the 1990s, and somewhat faster later. Countries undergoing major reform, however, are expected to have higher growth rates.

1.14 The past decade has put severe pressure on spending for social programs and in many countries, spending has declined. While regional averages of government spending on health and education (as a percent of GDP) during 1975-85 show a rising or at least constant share for human development, expenditures between 1980 and 1985 in about half of the countries for which data are available show a decline. More recent data for a few countries show a worsening trend toward the end of the 1980s. Africa has a particularly hard struggle ahead. In 1985, Africa spent 1.4% of GDP on primary education. Assuming both GDP growth of 3.7% per year and population growth among children 6-11 years of 3.4%, enrolling all primary-age children in school would require an 85% increase in the proportion of GNP spent on primary education, to 2.5%. This goal will require an immense effort on the part of African governments as well as the donors.
1.15 **Policy reform and adjustment.** Many developing countries will be further constrained by fiscal crises and the need to restructure their economies. Though in the long run structural adjustment and policy reform should lead to increased economic growth, in the short run, without safeguards, it may disproportionately harm the poor and undercut programs that help develop human capital. The absolute number of poor in South Asia will continue to be in the hundreds of millions, and in sub-Saharan Africa, the number is expected to increase by the year 2000 from 180 million to 265 million. Failure to protect the human resource base and expand access to human development services to spur growth through productive use of labor will lead to further decline in real income and quality of life in many developing countries. 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.

1.16 **Administrative capabilities.** Weak institutional structures and inefficient delivery of services pose serious constraints on the effectiveness of human resource development. In Africa, for example, ministries dealing with human development are isolated from macro-economic or budgetary policymaking bodies, thereby having little influence on policies affecting the demand for and supply of their programs. Also, these ministries frequently act in isolation with limited communication or coordination among them, thereby diminishing the synergistic effects among social sector interventions. The problem of effective service delivery is closely related to the organizational and managerial capacities of these ministries. Reaching dispersed and largely poor populations is a daunting task for any government, let alone those with limited capacities. The increased interest in NGOs is precisely because of their perceived potential for helping improve design and delivery of social service programs. Similarly, one of the driving forces behind increasing the dynamism of markets is to allow people to "exit" from inefficient and ineffective public supply and find their own private supplier. However, given the potential economies of scale in the provision of most social services, as well as market distortions and failures, the private sector (including NGOs) can only complement — and not substitute for — the public sector. Improving supply and delivery of public services, therefore, remains a major challenge for social sector ministries and, therefore, for finance ministries and governments as a whole.

1.17 **Social Factors.** Utilization of social services is sometimes constrained by prevailing social and cultural factors. For instance, in certain communities, parents are reluctant to send girls to schools, particularly if they lack privacy or have mostly male teachers. Similarly, family planning services, even when available, may not be utilized for cultural reasons.

**C. RESPONDING TO THE CHALLENGE**

1.18 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. The challenge for countries is to devise the necessary political and technical mechanisms to integrate long-term human development policies with macro-economic policies, demographic factors, and development infrastructure. This makes budget choices complicated, even for human development alone, and reemphasizes the need for cost-effectiveness and careful choice of priorities.


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 an 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
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.

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 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.

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

**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.

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 services -- 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.)
Using quasi-market approaches for public provision. Delivery will be most efficient when public sector 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 leading 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 were thought to pose 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 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.

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.
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
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 16.8% of total commitments in FY91, 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. At the same time, lending for primary education has been substantial; it accounted for 31% of education lending in FY89, 24% in FY90 and 36% in FY91. 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.
Table 1: Human Development Lending, FY85-90

<table>
<thead>
<tr>
<th></th>
<th>Pre-reorganization FY85-87</th>
<th>Post-reorganization FY88-90</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Projects</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>52</td>
<td>61</td>
<td>17.3</td>
</tr>
<tr>
<td>PHN</td>
<td>24</td>
<td>31</td>
<td>29.7</td>
</tr>
<tr>
<td>Other*</td>
<td>0</td>
<td>6</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td>76</td>
<td>98</td>
<td>28.9</td>
</tr>
<tr>
<td><strong>Lending Volume ($ million)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>2,211</td>
<td>3,315</td>
<td>49.9</td>
</tr>
<tr>
<td>PHN</td>
<td>664</td>
<td>1,668</td>
<td>151.2</td>
</tr>
<tr>
<td>Other*</td>
<td>0</td>
<td>119</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td>2,875</td>
<td>5,102</td>
<td>74.7</td>
</tr>
</tbody>
</table>

*Social development projects.

Figure 2: Index of PHR Lending and Staffing
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 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, though, have been evolving rapidly to deal better with 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 assets. In many instances, these expenditures are central to a long-term push to build the human part of development infrastructure, and 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 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 costs 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 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 SALs and SECALs. 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 Facilitating the transfer of ideas. It is increasingly clear that transferring ideas and building institutional capacities, as much as financial intermediation, is fundamental to developmental change. This is particularly true in human development which is, above all, experience-based, attitude- and contact-intensive, and heavy on intangibles. This places a premium on strategic advice and capacity building. In this regard, the Bank and other development assistance agencies could provide their unique perspective to assist countries in formulating their human development programs. This could include assistance in assessing the linkages between macro-economic strategies and human development, analyzing strategic choices among balancing competing demands on resources, determining appropriate public and private functions, and weighing overall reforms with corresponding expenditure demands. In addition, building institutional capacities in countries is imperative for the internalization of technical assistance and the effective participation in the transfer of ideas.

3.26 While the transfer of know-how is often achievable within project cycle and sector work, the conventional bundling together of lending and technical assistance has serious limitations. First, there are certain areas that have no visible lending outcome per se, but the needs are pressing nonetheless, such as capacity-building in elaborating population strategy, measuring living standards or strengthening educational assessment. Second, the highly flexible and participatory approaches needed to achieve recipient institutional development call for extensive upstream investment which cannot be expected to be funded out of the Bank’s operational budget. This is even more true under the pressure to control budgets for economic
and sector work and staffing coefficients for lending and supervision. Finally, institution-building is often treated as an add-on within the lending program.

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. 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. According to current projections, lending for human development in FY92-94 is expected to be about 50% over FY89-91 and about 15% of total Bank lending. Moreover, as the largest provider of external funding for such programs, its international leadership responsibilities are daunting. In 1989, for instance, Bank lending accounted for 45% of multilateral financing of education and 11% of assistance to PHN. The Bank's share in external assistance from all sources was 14% and 7%, respectively. Yet, the Bank must recognize that in order to be effective it cannot do everything; it must be selective in the targeting 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) optimize recurrent-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. Optimize Recurrent-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 an agreement 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 (e.g., reduction in subsidies for public sector enterprises and 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.

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 -- within an agreed overall framework for human development -- 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 programs that require special emphasis and flexible approaches such as women's access to social services and community participation, 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 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 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 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 and the guidelines should explicitly reflect the scope and the sustainability and selectivity criteria for financing recurrent expenditure. First, OMS 2.1 is being 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 -- which have obvious implications for recurrent-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. The Report of the Technical Assistance Review Task Force (TARTF), chaired by Mr. Picciotto, identifies a gap in the Bank's "tool kit" of development funding, namely, the injection of incremental grant resources to finance upstream advisory assistance and institution building. The Task Force recommends a grant facility, with initial allocation of $50 million from net income to be used, "on a selective basis, for the express purpose of strengthening the front end of the technical assistance cycle and with adequate safeguards to avoid displacing other instruments." In the light of this Report, an ad hoc working group of PHR staff and others should study the demand for technical assistance for human development, unrelated to lending, and the extent of the Bank's responsiveness to such demand, and review the implications of the TARTF recommendations.

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 in selected 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 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.
Human Development Projects, FY85-93, by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>FY85-87</th>
<th>FY88-90</th>
<th>FY91-93*</th>
<th>% Change FY88-90 over FY85-87</th>
<th>% Change FY91-93 over FY85-87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFRICA</td>
<td>18</td>
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<td>30</td>
<td>17</td>
<td>43</td>
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<td>12</td>
<td>25</td>
<td>27</td>
<td>108</td>
<td>8</td>
</tr>
<tr>
<td>EMENA</td>
<td>13</td>
<td>10</td>
<td>16</td>
<td>-23</td>
<td>60</td>
</tr>
<tr>
<td>LAC</td>
<td>9</td>
<td>5</td>
<td>16</td>
<td>-44</td>
<td>220</td>
</tr>
<tr>
<td>TOTAL</td>
<td>52</td>
<td>61</td>
<td>89</td>
<td>17</td>
<td>46</td>
</tr>
</tbody>
</table>

| PHN |         |         |          |                             |                             |
| AFRICA | 12      | 17      | 29       | 42                         | 71                          |
| ASIA   | 6       | 8       | 21       | 33                         | 163                         |
| EMENA  | 3       | 4       | 15       | 33                         | 275                         |
| LAC    | 3       | 8       | 16       | 167                        | 100                         |
| TOTAL  | 24      | 37      | 81       | 54                         | 119                         |

*FY91 actual, FY92-93 projected.

Source: MIS data as of September 12, 1991.
### PHR Lending Volume, FY85-93, by Region
(In US$ million)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY85-87</th>
<th>FY88-90</th>
<th>FY91-93*</th>
<th>% Change FY88-90 over FY85-87</th>
<th>% Change FY91-93 over FY88-90</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFRICA</td>
<td>358</td>
<td>618</td>
<td>1,141</td>
<td>72</td>
<td>85</td>
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<tr>
<td>ASIA</td>
<td>947</td>
<td>1,743</td>
<td>2,260</td>
<td>84</td>
<td>30</td>
</tr>
<tr>
<td>EMENA</td>
<td>620</td>
<td>726</td>
<td>1,172</td>
<td>17</td>
<td>61</td>
</tr>
<tr>
<td>LAC</td>
<td>291</td>
<td>228</td>
<td>1,712</td>
<td>-22</td>
<td>651</td>
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<tr>
<td>TOTAL</td>
<td>2,216</td>
<td>3,315</td>
<td>6,285</td>
<td>50</td>
<td>90</td>
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</tbody>
</table>

**PHN**

<table>
<thead>
<tr>
<th>Region</th>
<th>FY85-87</th>
<th>FY88-90</th>
<th>FY91-93*</th>
<th>% Change FY88-90 over FY85-87</th>
<th>% Change FY91-93 over FY88-90</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFRICA</td>
<td>176</td>
<td>441</td>
<td>1,042</td>
<td>151</td>
<td>136</td>
</tr>
<tr>
<td>ASIA</td>
<td>327</td>
<td>557</td>
<td>1,981</td>
<td>70</td>
<td>256</td>
</tr>
<tr>
<td>EMENA</td>
<td>55</td>
<td>198</td>
<td>879</td>
<td>260</td>
<td>344</td>
</tr>
<tr>
<td>LAC</td>
<td>106</td>
<td>591</td>
<td>903</td>
<td>458</td>
<td>53</td>
</tr>
<tr>
<td>TOTAL</td>
<td>664</td>
<td>1,787</td>
<td>4,805</td>
<td>169</td>
<td>169</td>
</tr>
</tbody>
</table>

*FY91 actual, FY92-93 projected.

Source: MIS data as of September 12, 1991
### Trends in Lending, FY85-90, by Category
(In US$ Million)

<table>
<thead>
<tr>
<th>Category</th>
<th>Ave. FY85-87</th>
<th>Ave. FY88-90</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture &amp; Rural Development</td>
<td>3,819</td>
<td>3,880</td>
<td>2</td>
</tr>
<tr>
<td>Development Finance Co.</td>
<td>1,437</td>
<td>1,978</td>
<td>38</td>
</tr>
<tr>
<td>Education</td>
<td>732</td>
<td>1,105</td>
<td>51</td>
</tr>
<tr>
<td>Energy</td>
<td>3,435</td>
<td>3,188</td>
<td>-7</td>
</tr>
<tr>
<td>Industry</td>
<td>628</td>
<td>1,668</td>
<td>166</td>
</tr>
<tr>
<td>Nonproject</td>
<td>1,461</td>
<td>2,277</td>
<td>56</td>
</tr>
<tr>
<td>PHN (with Other*)</td>
<td>221</td>
<td>596</td>
<td>169</td>
</tr>
<tr>
<td>Public-Sector Management</td>
<td>0</td>
<td>397</td>
<td>N/A</td>
</tr>
<tr>
<td>Small-scale Enterprises</td>
<td>419</td>
<td>435</td>
<td>4</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>117</td>
<td>152</td>
<td>29</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>285</td>
<td>271</td>
<td>-5</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,794</td>
<td>2,419</td>
<td>35</td>
</tr>
<tr>
<td>Urban Development</td>
<td>990</td>
<td>1,311</td>
<td>32</td>
</tr>
<tr>
<td>Water Supply and Sewerage</td>
<td>785</td>
<td>753</td>
<td>-4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,123</strong></td>
<td><strong>20,430</strong></td>
<td><strong>27</strong></td>
</tr>
</tbody>
</table>

*PHN (Without Other*)

| PHN (Without Other*)                  | 221          | 556          | 151      |

*Education, PHN, and Other*

| Education, PHN, and Other*            | 954          | 1,701        | 78       |

*Education and PHN (Without Other*)

| Education and PHN (Without Other*)    | 954          | 1,661        | 74       |

**Total Number of Bank Projects**

| Total Number of Bank Projects         | 233          | 221          | -5       |

---

*Social development projects*
### ANNEX VI

#### High-Level PHR Staff

<table>
<thead>
<tr>
<th></th>
<th>Africa</th>
<th>Asia</th>
<th>EMENA</th>
<th>LAC</th>
<th>PRE</th>
<th>Total</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration/Facilities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>0.7</td>
</tr>
<tr>
<td>Economics/Finance</td>
<td>20</td>
<td>17</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>82</td>
<td>30.4</td>
</tr>
<tr>
<td>Line Management</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>27</td>
<td>10.0</td>
</tr>
<tr>
<td>Research</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>6</td>
<td>18</td>
<td>6.7</td>
</tr>
<tr>
<td>Senior Management</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>74</td>
<td>66</td>
<td>46</td>
<td>36</td>
<td>48</td>
<td>270</td>
<td>100.0</td>
</tr>
</tbody>
</table>

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