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WORLD BANK GROUPS ROLE IN THE DEVELOPMENT  
OF HUMAN RESOURCES

prepared by  
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and Development



General

One clearly discernible trend in discussions of the development process is the increasing recognition among economists of the important role of human resources in economic growth. This attitude toward investment in human resources is a healthy revival of the concept expressed by some of the great classical economists - by Adam Smith, for instance, - that the acquired knowledge and skills of a society constitute a part of its capital.

A scarcity of such acquired abilities unquestionably is a grave obstacle to economic progress in underdeveloped countries.

Mr. George D. Woods, President of the World Bank and of its two affiliates, the International Development Association (IDA), and the International Finance Corporation (IFC), has pointed out that "the lack of trained manpower is today one of the critical bottlenecks in the development process. The most serious shortages in most countries are of administrators, entrepreneurs, teachers and technicians - the upper and middle level manpower without which no development program can be successfully carried out." 1/

It is commonly assumed that the Bank's operations have little to do with the development and utilization of human resources. This is a misconception.

In its financing operations, to be sure, the Bank has placed main emphasis on basic facilities essential to economic growth. Roughly one-third of the Bank's and IDA's lending has been devoted to the improvement of means of transportation - roads, railways, inland waterways, and ports. Another third has helped finance the production and transmission of electric power - thermal, hydro and nuclear. The balance has been lent for the development of industry, agriculture, communications, water supply and sewerage, and education.

Investments in a national power system or an integrated rail network are primarily intended to make directly productive activities possible. But this is not the sole purpose or result. An electric grid system not only supplies power to productive industries; it also helps to alleviate living conditions in rural areas by the introduction of power, light and radio. The establishment of schools is facilitated and isolated villagers are enabled to participate more effectively in the national development effort. Railways, highways, roads and ports serve not only to ease the transport of raw materials to factories and finished goods to consumers at home and abroad, but also help to break the isolation of villages and small towns, give easier access to educational and cultural institutions and governmental administrations.

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1/ George D. Woods, Address to the Economic and Social Council of the United Nations, New York, March 26, 1965.

One major contribution that infrastructure improvement can make is to help break down the social and economic stagnation which prevails in many parts of the world. In its assessment of a project's feasibility and priority, the World Bank Group usually employs the hard figures of expected economic or financial returns, but it recognizes that the ultimate test is the impact which its investments will have on the lives of human beings.

In the various stages of its project investigations and loan administration, the Bank may also make a considerable contribution to the development of human resources in the countries concerned. Economists, engineers and other experts from the Bank staff are constantly called upon to advise and assist its clients in dealing with technical, managerial or financial problems connected with development projects, in defining terms of reference for consultants or in the review of their findings, in arranging for the training of national personnel, etc. One of the most important areas of such assistance is the help given by the Bank and IFC in organizing and training staff for national development finance companies, which are increasingly significant catalytic agents for industrialization in a number of developing countries.

Preinvestment studies of major economic sectors, undertaken by the Bank either on its own account or as executing agency for the UN Special Fund, often lay major stress on institutional development and training of key personnel. Some examples are the planning and management assistance provided to the East Pakistan Inland Water Transport Authority, the current review of the Gezira Scheme in the Sudan, assistance in the planning of schools in Tunisia and in the organization of the electric power administration in Ecuador and of road construction and maintenance work in Somalia. Advisers have also been provided to work with the national planning agencies of a number of countries. In all these cases, national counterpart personnel are closely and continuously associated with the foreign consultants and advisers, to encourage full interchange of local experience and foreign expertise and assure continuing benefit from the latter after the advisory services are ended.

In addition to these activities incidental to its financial and technical assistance operations, the Bank conducts general training programmes in fields broadly relevant to economic development. The most important of these is the Economic Development Institute, established in 1955 as a staff college for senior officials responsible for development, planning and administration. In its first several years the EDI offered only a single six-months course, given once a year in English. More recently, several new courses, including some in French and Spanish have been added. In 1965 the EDI is accommodating some 145 participants. It has also compiled and donated to member countries extensive reference libraries on economic development problems in English, French and Spanish; and has provided other teaching to regional and national training institutes in the underdeveloped world.

/The significance

The significance of these services of the World Bank Group cannot be measured in monetary terms. Undoubtedly they have contributed to the expansion and better utilization of human resources in many developing countries, and should continue to yield increasing dividends in future years.

Our host country today, Chile, might serve as an example of the World Bank Group's activities in one country. In fact, it was here that the Bank began its development lending in 1948. Since then the Bank has lent over 143 million dollars in Chile. Four loans totaling 65.4 million dollars are assisting the expansion of electric power facilities; four loans totaling 27.4 million dollars were made to assist the development of agriculture; a loan of 20 million dollars helped to finance the manufacture of paper, pulp and newsprint; two loans totaling 21.8 million dollars were made to help increase coal production; a loan of 6 million dollars is financing improvements in highway facilities; and a loan of 2.75 million dollars is assisting in building and equipping vocational training centres that provide accelerated training for industrial workers in a variety of needed skills. The Bank's affiliate, the International Development Association (IDA), has extended a credit of 9 million dollars for the construction and betterment of a road network in southern Chile - the main agricultural area of the country. Bank and IDA efforts have been supplemented by the International Finance Corporation which has undertaken 9 investment commitments totaling 10 million dollars. Besides lending for development, the Bank has provided technical assistance services of wide variety. In 1951 the Bank joined the FAO in organizing a mission to study Chile's agricultural problems and draw up recommendations for an agricultural programme. The mission's report presented to the Government at the end of 1952, recommended steps to increase agricultural output. In 1961 the Bank reviewed Chile's 10-year development programme and made extensive comments both on the programme as a whole and on plans for specific sectors. In 1962 the Bank helped to organize and finance a study of measures to make the Chilean capital market a more efficient instrument in mobilizing domestic savings for development. The report of the mission was submitted to the Government in January 1965. In addition, the Bank is meeting the foreign exchange costs of a study designed to prepare for execution a small road project and to elaborate a five-year highway improvement programme for the country. A technical representative of the Bank has acted as liaison with the Chilean authorities and assisted them in the execution of a highway construction and maintenance project for which an IDA credit and a Bank loan were made in 1961. The Bank has also provided staff members to act as economic or planning advisers to the Government.

#### The Bank/IDA and Education

This summary of the Bank Group's activities makes only passing mention of direct financial support of the educational sector which is what springs naturally to mind when one talks of the development of human resources. In truth, only a relatively small fraction of the Group's financing so far has gone into this sector, and only in the past three years.

/The Bank's

The Bank's first educational loan, to the Agricultural College of the University of the Philippines, was made in 1964, and its second in 1965 for vocational training in Chile; IDA extended its first credit for education and training two years earlier, and has financed educational projects in Afghanistan, Morocco, Nigeria, Pakistan, Tunisia, and Tanzania. The present trend is sharply upward, although Bank and IDA's educational investments are not likely very soon to rival those in transportation or power development.

The Bank recognizes the existence of two schools of thought in regard to the nature and objectives of education. One, the humanistic or ethical approach, lays great stress on the basic human right of people to receive the benefits of education, and on the consequent cultural and social improvement of the individual and society. The other, the more mundane approach of the economists, lays emphasis on investment in education as one means of accelerating the process of economic growth. In actual practice, there need be no conflict between the two approaches to the objectives of education. Sustained economic growth and higher productivity can generate and release enough physical resources to be applied to social and cultural advancement as well. Since economic growth and social progress are interrelated and since the level of education has a positive bearing on productivity, it would be wrong to emphasize one approach to the total exclusion of the other.

There is abundant evidence, however, that the drive for universal literacy and education has led to a tragic misuse of scarce resources in many countries, which has contributed to the Bank's somewhat cautious entry into this field. The Bank always demands that a project in which it invests should rate high on the list of priorities in a country and be so recognized not only by the Bank itself but also by the government concerned. A prerequisite therefore for Bank or IDA financing is that a project or a sector is given priority consideration in a country's development plan as demonstrated by the investment allocated by the country itself.

The President of the World Bank and IDA has made it perfectly clear that increasing attention will be given to the educational sector. As a step toward such an intensification of its educational efforts the Bank has established a co-operative programme with the United Nations Scientific, Educational and Cultural Organization (UNESCO). UNESCO is making available technical and appraisal services to countries desiring help in identifying their priority educational needs and in the designing of projects for which they might wish to request Bank or IDA financing. The costs of these services are shared by UNESCO and the Bank. The Bank has also joined UNESCO in establishing an International Institute of Educational Planning in Paris where educational planning techniques and methods are being developed. All this shows the Bank's belief in the importance of education to a balanced development programme and also in the necessity of applying scientific planning methods in this field just as much as in the development of physical assets.

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For the moment, the Bank and IDA are putting considerable emphasis on assistance to secondary education. It is felt that the most noticeable and serious gaps to be filled are found at this level, both in educational systems and in resultant trained manpower. Similarly there is a need for developing high level entrepreneurial and technical leadership in selected areas of higher training. On the other hand, although the human rights target of universal primary education has not yet been achieved, primary enrollments have expanded over the past decade out of proportion with other levels of education and often beyond the country's ability to train teachers, and properly meet recurrent costs.

### Examples of Bank Lending

A few illustrations of educational and agricultural projects which have received Bank support are given below:

#### Chile - Vocational Training

Despite a long history of public education and a high level of literacy, Chile's school system does not provide vocational skills in the number or of the kind needed to sustain and expand industrial growth. In order to foster the development of productivity and manpower services, the Servicio de Cooperación Técnica (Servicio) was established by the Government as an affiliate of the Corporación de Fomento de La Producción. The International Labor Organisation assisted Servicio in determining Chile's skilled and technical manpower needs, and in studying the job content of key occupations among them; it designed training methods for the practical requirements of the jobs and concentrated in short courses the information necessary to raise quickly the quality of Chile's labour force.

The Servicio's vocational training programme now produces about 16 000 workers a year. It has launched an expansion programme to increase the number to 30 000 and thus meet about three quarters of Chile's present need for training of this sort. Three levels of accelerated training are offered: full time courses, totaling 600 hours in four months, to train unskilled workers to the semi-skilled level; part-time courses of 150-200 hours for two to four months to upgrade semi-skilled workers to the skilled level; and part-time course of 40-80 hours for one to two months to train already skilled workers in new techniques, or to prepare them for foremanship. Training is given in vocational training centers, in existing industrial schools during evening hours and summer vacation periods, and in mobile workshops. When the current expansion is completed such training will be undertaken in 46 institutions in 27 cities throughout the country.

In October 1965, the Bank made a loan of 2.75 million dollars to assist this programme. The main elements of the project being assisted by the Bank loan are the construction and equipment of vocational training centres, the provision of equipment for starting up and expanding courses

/in industrial

in industrial schools, the provision of mobile workshops for the instruction of miners in modern techniques, printing, audio-visual and transport equipment for the Servicio's training programme.

### Uruguay - Livestock Improvement

Uruguay's chief natural resource is its extensive area of native grassland which is used for the production of cattle and sheep. Wool, meat, milk and by-products represent about three-quarters of the total value of agricultural output and provide most of the country's export earnings. In 1950 a mission sponsored jointly by the Bank and FAO undertook a survey of agricultural methods and potentialities. The mission recommended measures for increasing yields, lowering costs, and improving storage and marketing. It concluded that the country's livestock output could be improved by better pasture management. In 1959 the government drew up a livestock production improvement programme based largely on the recommendations of the mission. In the same year the Bank made a loan of 7 million dollars for a pilot project to increase production by demonstrating the advantages of modern techniques of pasture improvement and management. The results of this project have been even more impressive than had been expected. Farmers who have participated number about 1,400 compared with the original target of 600; the area of improved pasture on the farms totals about 360,000 acres. In addition, it is estimated that farmers who co-operated with the programme, but arranged their own financing, improved an additional 170,000 acres of grassland. The three to four-fold increase in livestock production from the improved grasslands over that of native pastures has attracted the attention of farmers everywhere in the country.

Impressed by the success, the Bank made another loan of 12.7 million dollars in March 1965 to enable the Government to continue on a wider basis its livestock development programme. Under the second stage individually supervised livestock development loans will provide 650,000 acres of improved pastures on 2,600 medium-sized farms. In addition, about 1,000 operators of larger farms are expected to participate on a cash basis to improve about 310,000 acres. This, together with the achievements during the first stage, will result in a total of 1½ million acres of improved grassland. Most of the increased output of beef and wool which will result from the programme is intended for export and is expected to yield a net annual increase of 10 million dollars in Uruguay's foreign exchange earnings. As there are 37 million acres of native grassland capable of similar improvement, the programme points the way to substantial economic and social progress for the nation as a whole.

### Peru - Agriculture and Livestock Production

Peru has a high potential for agricultural development. Much of the land at present under cultivation can be made to produce more through modern farming practices; areas on the arid Pacific Coast can be brought

/into production

into production with irrigation; and the fertile land on the eastern slopes of the Andes can be settled and put to cultivation with improvements in transportation. The Peruvian Government has made progress in all these aspects of agricultural development with financial support from the World Bank.

Most of the Bank's loans for agriculture have assisted the work of two government agencies whose chief purpose is to promote agricultural production. Two loans, for a total of 3 million dollars, enabled the Servicio de Investigación y Promoción Agraria (formerly known as Servicio Cooperativo Inter-Americano para la Producción de Alimento) to import equipment for its extension services and machinery pools. The agency's operations have been effective in introducing techniques which have increased the value and efficiency of agriculture.

Four loans totaling 30 million dollars have been made to the Banco de Fomento Agropecuario del Peru to provide funds for the Banco's lending programme to farmers for the development of agriculture and livestock production. The Banco is the major source of agricultural credit in Peru, and has been an important factor in increasing output of crops for both domestic and foreign markets in recent years. Since World Bank assistance began in 1954, the Banco has made over 14,400 medium and long-term loans to some 6,000 farmers for defined programmes of development. It is estimated that the gross value of production on farms which had received credit amounted to the equivalent of 44 million dollars in 1963. Since 1954, irrigation loans have provided water for some 58,000 acres of new land and improved the water supplies to a further 12,000 acres. Loans for land levelling have improved about 24,000 acres, while drainage loans have been applied to 9,600 acres. Livestock loans have added considerably to the supply of high-quality breeding stock and made possible the establishment of large numbers of breeding herds under private ownership. Three crops have been planted on about 53,000 acres. Miscellaneous loans have resulted in better transportation on rivers, improvement of farm buildings and domestic water supplies, and the establishment of processing plants and storage warehouses.

A Bank loan of 11 million dollars made in June 1965, will assist the third stage of the San Lorenzo project for the irrigation and settlement of once arid land on the coast of northern Peru - an area which may eventually involve about 125,000 acres. The project brings together irrigation, farm credit and a wide range of technical services for the purpose of increasing the output of food and cash crops, both for domestic consumption and export. Besides raising farm income and improving standards of living in its own area, the San Lorenzo project is serving as a model for similar developments in other parts of Peru.

In the first stage the Government built tunnels and canals to divert water from the dependable flow of the Quiroz River to the Piura River. The diversion system made it possible to increase the cultivated area in the Piura valley. The second stage, which was assisted by a World Bank

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loan of 18 million dollars in 1955, consisted of enlarging these works for the irrigation, development and settlement of the San Lorenzo area. Since then about 35,600 acres have been developed and settled. The third stage consists of the development and settlement during 1965-67 of some 44,000 acres and the further improvement of lands already settled.

### Conclusion

Bank or IDA financed projects for the development of human resources must meet the same strict criteria of planning, preparation and appraisal, and give the same assurance of competent execution that are required for investments in other sectors. Educational systems throughout the developing world tend to be marked by waste and inefficiency, high rates of "drop-out", declining quality, and misdirected investment.

The contribution of the Bank and IDA in relation to the country's own expenditures and as a sector within the Bank will remain relatively modest, "But," as Mr. Geoffrey Wilson, a Vice President of the Bank and IDA has stated, "we hope and believe that we can help to point the way by financing and providing technical assistance for carefully selected pilot projects that will fill strategic gaps in the educational systems of member countries. We also hope that we can encourage and assist our members in the formulation of sound policies. In addition, we can exercise some influence in the realm of administrative discipline by applying in our educational financing the same high standards of project preparation, appraisal and inspection that we insist upon in other fields. 2/

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2/ Geoffrey M. Wilson: Education and the World Bank; Talk to the Canadian National Commission for UNESCO, Montreal, March 11, 1965.