



ROUNDTABLE

Development: The Human Dimension



16 April 1985

Excellency,

The UNDP Development Study Programme and the North South Roundtable are sponsoring a roundtable session on "Development: The Human Dimension" to take place in Istanbul, Turkey from 2 to 4 September 1985.

It is a great honour and pleasure to invite you to participate in this roundtable and to address its opening meeting. We are convinced that, given the significant accomplishment which your country has achieved in the crucial area of human resources development under your leadership, it would be most auspicious if you could share with the participants in the roundtable your vast experience, insights and - positive and negative - lessons from the past.

Some 40 leading national and international policy makers, academicians and business leaders are being invited to participate in this session and your presence would indeed be a high point of this event, in which the Prime Minister of the host country, H.E. Mr. Turgüt Ozal, is also expected to participate.

We believe that it is high time to take a fresh look at the human dimension in the development process. Over the past 35 years, the international development effort has focused, both in theory and in practice, almost exclusively on the means to development, rather than on its final objective, namely, the improvement of the quality of human life. The deficiencies and shortcomings of the policies and strategies, which relied overwhelmingly on capital and natural resources and neglected the human element, both as an input and as an objective of development, are now becoming increasingly clear. The enclosed background note will provide you with further information about the objectives and approaches chosen by this roundtable.

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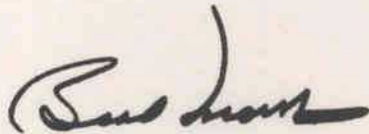
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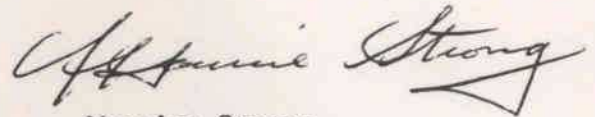
We are exceedingly hopeful that you will be able to respond positively to our invitation. Should it be possible for you to join us, you will, of course, be our guest during your stay in Istanbul.

With high esteem,

Yours sincerely,



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United Nations Development Programme



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North South Roundtable

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ROUNDTABLE

Development: The Human Dimension



Background Note

Roundtable

on

"Development: The Human Dimension"

Fundação Cuidar o Futuro

2-4 September 1985

Istanbul, Turkey



Development: The Human Dimension

I. Background

It is high time we take a fresh look at the human dimension in the development process in order to identify the major issues of our time on this subject and to mobilize international opinion to support the required policy formulation and changes, as well as to raise the necessary resources.

The history of the development process over the last 30 years shows that the transfer of financial resources for physical investments, while critically important, does not by itself create an adequate foundation for self-sustaining development. Experience acquired during this period clearly demonstrates that one of the major obstacles to economic progress in developing countries is the insufficient attention given to the development of human resources. Shortages of trained manpower and a lack of experienced administrators and managers have been major constraints on growth. The technical and managerial capacity gap between developed and developing countries has not been narrowed significantly by international assistance, which has been predominantly used for physical capital formation.

In the 1950s and 1960s, the conventional wisdom was that successful growth could be assured through a massive transfer of capital resources from developed to developing countries which would permit urban industrialization and modernization.

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Later in the 1960s and in the 1970s, while recognizing the continuing need for sustained capital assistance, the international community emphasized the importance of improving terms of trade, increased trade flows from developing to developed countries and the necessity of accelerating the process of industrialization. In the current decade, monetary aspects of development efforts and international debt questions have been given new prominence in the development dialogue. Each of these elements is an essential ingredient of development. They are, however, means to achieve development, and not the objective of development. The international community, in its search for effective approaches to economic development, has acknowledged that heightened human skills and strengthened human capacity are fundamental, but has failed to recognize that these elements are at the core of all development efforts and will determine the success or failure of these efforts.

It is true that in the early 1970s, a new interest was born on the issues of poverty alleviation, income redistribution and satisfaction of basic needs. But the ways and means of how to fully and best utilize the human resources of the developing countries in pursuing these objectives were neither adequately assessed, nor was the potential for exploring the complementarity between these objectives and growth realized. Moreover, this era of concern with equity and basic needs proved to be short-lived, as it was overtaken by the oil and international debt crisis of the 1970s and the 1980s. Within the midst of an ongoing world financial and debt crisis, the adjustment measures in most developing countries have been secured unfortunately at great human costs, high in terms of lost output, depressed employment and rising poverty levels. The austerity programmes, at their implementation level, have resulted in a serious curtailment of investment in human resources.

The World Bank's recent World Development Report for 1984 shows that as a per cent of total central government expenditure in low-income developing countries, expenditure on education declined from 16.4 per cent in 1972 to 5.9 per cent in 1981. For the health sector the fall was also as dramatic: from 6.2 per cent in 1972 to 2.9 per cent in 1981. For housing, community

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amenities and social welfare, the percentage of national expenditure grew fractionally, from 4.7 per cent to 5 per cent. But the table shows a falling proportion of expenditure in all these sectors for the lower middle-income developing countries, for oil importing middle-income developing countries and even for high-income developing countries. At a time when so many of these countries are going through painful restructuring processes, when, indeed, a substantial portion of external assistance is going to support those processes, these indicators serve as prime examples of a growing neglect of long-term human resource needs.

While all these cuts involved major human and social costs, they did not yet bring about the expected economic recovery. On the contrary, temporary adjustments have been ensured in the short term by large curtailments of social expenditures, which would cost productivity of loss in the long term. Similarly, the satisfaction of basic needs as an objective of development came to be viewed as an untimely luxury which had to be postponed until after the financial and debt crisis was settled.

As a consequence, the human element in development has once again been seriously undermined - with very serious adverse effects not only on patterns of expenditure and future human capital stock, but also on the solution of the current debt crisis and the adjustment problem itself.

In brief, over the past 35 years, the international development effort has focused, both in theory and in practice, almost exclusively on the means to development mentioned above, rather than on its final objectives. The deficiencies and shortcomings of the policies and strategies which relied too much on capital and natural resources and the neglect altogether of the human element, both as an input and as an objective of development, are becoming increasingly clear. To date, such issues as establishing creative educational systems to meet the prospective needs of the economies of developing countries, providing appropriate technical training, improving the quality and raising the level of human skills in the public and private sectors, developing better management capability and capacity through appropriate incentives and motivations, increasing productivity through innovative

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initiatives and creative energy of people, enabling the adaptation to new technological advancements and increasing the capacity to respond to the changing needs and cultural aspects of growth, have not been accorded adequate emphasis or attention.

II. Rationale

There are four main reasons why the importance of the human element needs to be brought to the forefront at this time:

(a) As an objective of development: Development is ultimately about people and their well-being. This is as true in a crisis as at any other time. The neglect of this basic fact has led not only to severe belt-tightening in many developing countries, but also to devastating deprivation, as witnessed in its most extreme form in the Ethiopian famine.

(b) To minimize the costs of adjustment and to ensure that they are not incurred in vain: In the resumption of sustained and balanced growth, the human element is vital. Physical capital and natural resources cannot substitute for it. Careful policy measures are to be designed both at the national and international levels to ensure long-term economic viability, through use of the human element. As a matter of fact, some developing countries have amply demonstrated that, with an educated, skilled, adaptable and innovative labor force and managerial class, a country can absorb severe blows in the international arena and resume a successful growth path.

(c) Beyond the crisis: Once the present crisis is over and in the presence of an improved international environment, both the low- and middle-income developing countries will have to rely increasingly on broadening the participation of their human resources in development, both in their private and public sectors. Countries with high levels of human resources appear to have been much more effective in adapting to the new international circumstances than countries rich in natural resources, or those with a lot of capital. Structural adjustment requires a change in activities. Sustained

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development, too, is about continuous change in the adaptation to change -- accepting new methods, new products, developing new skills, entering new markets. The human element is obviously the most important single factor determining the long-term ability of a country to "roll with the (inevitable) punches" of future exogenous shocks, recessions, etc. Thus, it should be no surprise that the same sort of skills and attitudes which are important for structural change are also important for long-run development en route to modern growth.

If such approaches and policies are not henceforth adopted, in the case of an eventual improvement of the international economic environment, those developing countries which have reached a certain level of production capacity today may no longer have the same capacity to produce. This is so as they have not invested enough in building the necessary human resources to ensure the skill formation required to raise productivity, managerial capacity and quality. Thus, the developing countries may go from a demand constraint to a supply constraint situation.

(d) Adaptation to new technologies: During the last three decades, there has been enormous technological advancement in industrialized countries. The new technological discoveries necessitated adjustments in the development of human skills. Some traditional jobs were lost due to such new technologies as computerization, but new potentialities for additional jobs were created which demanded high-level knowledge and new skills. These transformations necessitated several adjustment measures, which even in developed countries were not always ensured through a smooth transition.

Have similar measures been envisaged or taken in developing countries? If not, what will be the impact of the gap created in this area between developed and developing countries? What are the measures to be taken in this respect?

In this context, it has been stated that, for instance, computers had become the most powerful instrument of development since the invention of printing. But in the last ten years, in most of the developed countries, the

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application of that science had been left solely to machines (computers, robots and automatic systems), and the development of man had been neglected. That approach had given rise to increasing unemployment and bankruptcies of several firms. In the manufacturing industry in particular, there has been an increasing movement towards automation. On the other hand, it is argued that the power of computers are to be linked with the development of the capacity of man and serve to bring forth his genius.

In the light of these developments for the developing countries, the movement to adapt older technologies for local use may not be the best strategy. As the twenty-first century would bring forth more advanced computers, science and technologies, those countries that do not bring their people into that century would be left further behind in economic development.

III. Timeliness

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The deliberations of a roundtable on these issues would be particularly opportune at the present time for the following reasons:

- (a) Because of recent neglect of this area, which has adversely affected Southern policies and Northern aid and capital flows;
- (b) Because this neglect is self-defeating, especially for the very structural adjustment requirements which led to its neglect;
- (c) Because the rapid technological changes (including those resulting from the microelectronics revolution) are causing new and as yet unexplored requirements for adjusting skills, training and output mixes;
- (d) Because it appears that many countries and different sectors could learn a great deal from the experience of others which have given larger and earlier priority to the human element.

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The major objectives of the roundtable would be to: (a) provide an important and fresh analytical view of the importance of the human element in the development of different groups of developing countries; (b) identify the lessons we might learn from the very rich comparative historical experience in this field; and (c) shed light on improved Southern policies and the potential contribution of the international community.

IV. A Tentative Roundtable Programme

It is probably not necessary, or even very useful, to outline a full (three or four session) programme for the proposed roundtable. Ideally, much of this should emerge from the first or second session. Accordingly, we will focus heavily on the topics to be covered at the early sessions:

(a) How do we define the human element? We need to extend the narrow definition of the quantity of resources (e.g. educated manpower) to include quality, deployment, attitudes. The policy setting, including incentives, should be regarded as part of our broadened definition of the human element, i.e., as a major factor affecting the effectiveness of the deployment of human resources. The broader definition poses severe measurement problems, i.e., it would cover such factors as informal and on-the-job training, learning, etc.

(b) Identification of the contribution of the human element to development:

- i. How does economic theory deal with this question?
- ii. How relevant has the historical development experience been in Europe, Japan, East Asia, Africa, Latin America, etc.? Similarly, what has been the experience of the private sector?
- iii. How has the human element contributed to the "adjustment" process in the 1980s?

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(c) The human element as an objective, as well as a means: How do the interconnections work? What has been the experience of countries in this area? Why have some countries done better than others when the human element is regarded as an explicit objective? Has this helped or harmed other development objectives?

(d) The new technological environment, and the changing requirements this imposes on countries for skills, training and adaptability. Can countries afford to fall behind? What new policies are necessary?

(e) What new policies accommodating the human element are appropriate in different types of countries at different stages of development?

(f) The North-South dimension of the human element: Capital flows, aid, technical assistance, the appropriateness of North-South and South-South technology transfers in the human element area.

(g) Institutional elements: Do the existing international organizations pay enough attention to the role of the human element in development? Are these related issues being examined in a comprehensive and multidisciplinary manner? Are the present sectoral approaches complementary or contradictory?

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A Tentative List of Possible Written Contributions

1. Definition and theory
2. The human element in comparative development experience
3. The human development as means and objective
4. The human dimension in development strategies and planning
5. Adjustment process in the '80s - contribution of the human element
6. Role of the human element beyond the present crisis
7. The human element and individual country experiences: India, Brazil, Japan, South Korea, Pakistan, African countries
8. Capital investments and the human element: the experience of the World Bank and the regional development banks
9. Education and human development
10. Nutrition and human development
11. Health and human development
12. Industrialization and human development
13. Employment and human development
14. Development - the role of women
15. New technologies and human development
16. Institutional aspects
17. Private sector, initiatives and experience
18. Productivity through people: incentives, motivations and management techniques

