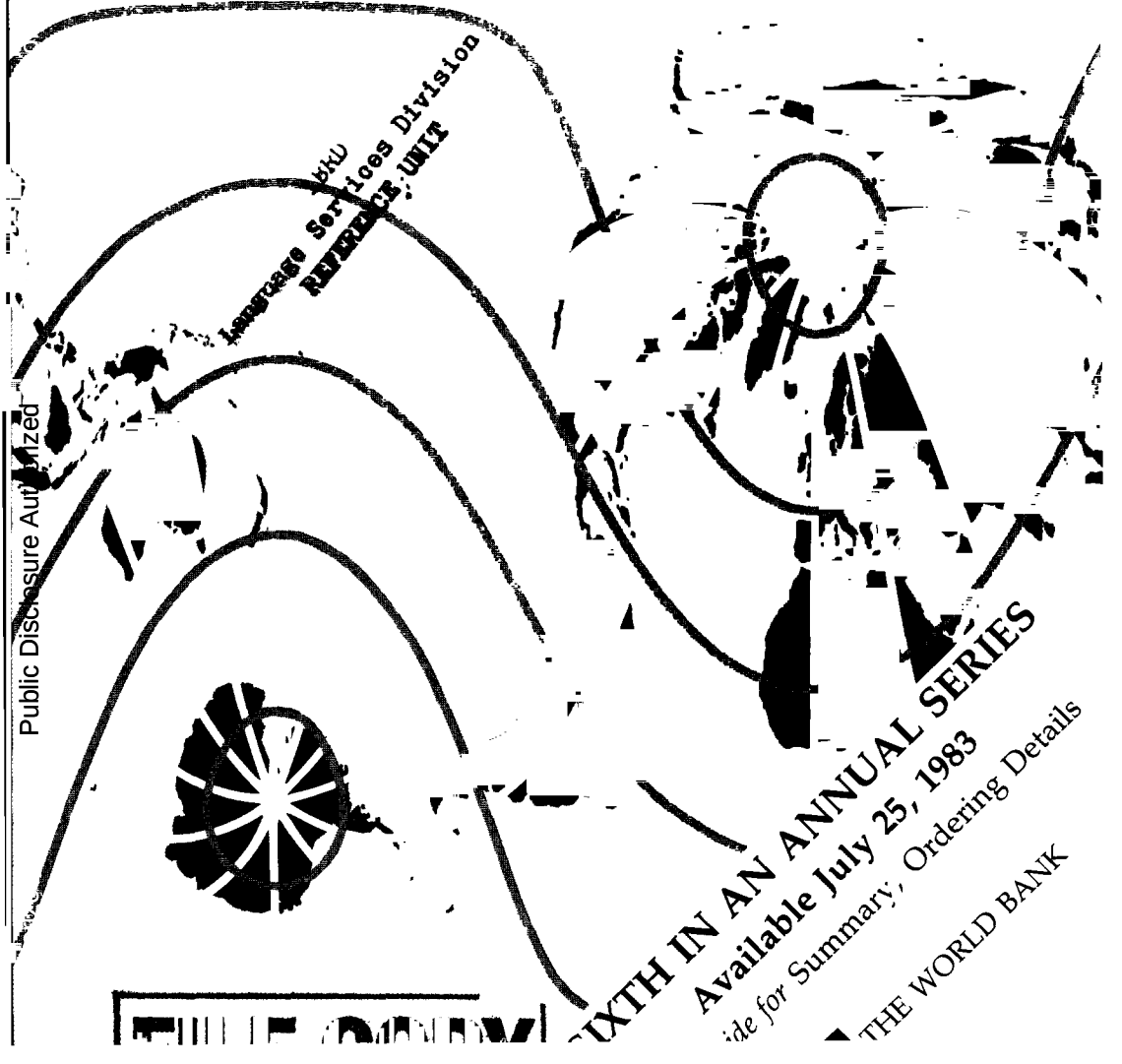
A World Bank Publication Summary

World Development Report 1983

World Economic Recession and Prospects for Recovery
Management in Development
World Development Indicators



An overview of
WORLD DEVELOPMENT REPORT 1983

CONTENTS

Foreword by A. W. Clausen

Definitions

Glossary of Acronyms and Initials

1 Overview

Part I World Economic Recession and Prospects for Recovery

2 The prolonged recession
3 The outlook for developing countries

Part II Management in Development

4 The search for efficiency
5 The role of the state
6 Pricing for efficiency
7 National economic management
8 Managing state-owned enterprises
9 Project and program management
10 Managing the public service
11 Reorienting government
12 Concluding themes

Technical Appendix

Bibliographical Note

World Development Indicators

INTRODUCTION

The 1983 *World Development Report,* published for the World Bank by Oxford University Press, takes as its main theme the role of management in development. It discusses the means available to governments of developing countries for achieving greater efficiency in the use of human and material resources, and the different roles appropriate to government and private enterprise. Macroeconomic policy, administrative and institutional reform, the effectiveness of bureaucracies, accountability, and incentives are among the topics covered.

The wide-ranging review of issues in public management follows an analysis of recent trends in the international economy and their implications for developing countries. The Report concludes that a concerted national and international effort is needed to ensure that recovery from the prolonged current recession is strong and lasting and that individual economies are restructured to meet changed economic conditions.

As in previous years, the sixth *World Development Report* presents detailed and up-to-date statistical profiles of 125 countries with populations of 1 million or more. The unique "World Development Indicators" section consists of 27 tables that provide information on the main features of social and economic development. (See the sample table in the centerfold of this pamphlet.) Indicators cover such areas as growth and structure of production, industrialization, commercial energy, merchandise exports and imports, balance of payments and debt service ratios, flow of external capital, external public debt and international reserves, demography, labor force, education, income distribution, and defense and social expenditure. Indicators related to health and life expectancy also are presented.

In addition, five world maps show GNP per capita, adult literacy, life expectancy at birth, the share of agriculture in gross domestic product, and the groups into which economies have been placed—low-income and middle-income developing economies, high-income oil exporters, and market and nonmarket industrial economies.

This broad range of internationally comparable statistical information is suitable for individual country studies and cross-country analyses. Statistics are drawn from data collected by the World Bank on its member developing countries and augmented by information from such sources as the International Monetary Fund and the United Nations.

How to Order
World Development Report 1983

Option #1: Order any edition from World Bank Publications. Use the Book Order Card on pages 19 and 20 of this Summary. Please specify whether you prefer hardcover, $20 (English only) or paperback, $8.

Option #2: Order in English, French, Spanish, German, Japanese, Arabic, Chinese, or Bahasa Indonesia from the appropriate publisher of local editions listed below. Publication dates and prices vary. Please check with publisher. *Also available from the World Bank and local distributors listed on pages 17 and 18 of this Summary.* Prices may vary by country.

English: Oxford University Press, Australia, Canada, Hong Kong, India, Japan, Kenya, Malawi, New Zealand, Nigeria, Pakistan, South Africa, Singapore, Tanzania, U.K., U.S., and Zimbabwe.

Information Publication Ltd., Singapore, Malaysia, Hong Kong, Taiwan, Philippines, and Burma.

French: Editions Economica, 49 rue Héricart, 75015, Paris, France. Also, Le Diffuseur, C.P. 85, Boucherville J4B 5E6, Quebec, Canada.

Spanish: Editorial Tecnos, O'Donnell 27, Madrid, Spain. Also, Infotec, San Lorenzo 153–11, Col. del Valle, Deleg. Benito Juarez, 03100, Mexico, D.F., Mexico.

German: Fritz Knapp Verlag, Neue Mainzer Strasse 60, 6000 Frankfurt am Main, F.R. of Germany. Also, Uno-Verlag, Simrockstrasse 23, D–5300, Bonn 1, F.R. of Germany.

Japanese: Eastern Book Service, 37–3 Hongo, 3-Chome, Bunkyo-Ku 113, Tokyo. Also, Maruzen Co., Ltd., 3–10, Nihonbashi 2-Chome, Chuo-Ku, Tokyo.

Arabic: Al-Ahram, Al Galaa Street, Cairo, Egypt.

Chinese: China Financial & Economic Publishing House, 8, Da Fo Si Dong Jie, Beijing, China.

Bahasa Indonesia: University of Indonesia Press, Department of Economics, Salemba 4, Jakarta, Indonesia.

Background and focus of the Report

For three years worldwide development has been stunted by the worst recession since the 1930s. While world population continues to expand, production and trade have lagged, unemployment has risen, and much industrial capacity has remained idle. In some countries, notably in Africa and Latin America, standards of living have declined.

In early 1983 the world economy at last began to emerge from the economic downturn that had persisted for longer than was foreseen even a year ago. The recovery remains tentative. Many of the countries that borrowed heavily in the 1970s are faced with a serious liquidity crisis as a consequence of persistent high interest rates and stagnant export earnings. Low-income countries dependent on raw materials have been hard hit by historically low commodity prices.

The developing countries' present difficulties are the culmination of events and policies dating back a decade or more. They are a consequence partly of conditions in the industrial market economies and partly of weaknesses in domestic management. Part I of the *1983 World Development Report* analyzes the 1980–82 recession in the context of the underlying long-term global economic trends and discusses how the world economy might evolve over the next decade, depending on the policies adopted in both developed and developing countries. Part II reviews how developing countries have managed development and draws from this experience a number of important lessons for the future. Particular attention is given to the institutions required to support development and the way these might be better run. The Report stresses four themes:

- The growing interdependence of the world economy has heightened the need for concerted international actions to maintain the growth in world trade and capital flows.
- The growth of national output per unit of new investment has been declining during the past two decades; scope for generating more savings is limited, so higher rates of growth must come primarily from more efficient use of resources.
- The economic performance of countries has varied greatly, not just because of unequal resource endowment, but also because of differences in policy and management; it is possible to learn from country experience to design policy reforms, backed by strengthened institutions, that will permit faster growth.

• Management skills are scarce and many governments are overstretched; the challenge is to devise development strategies that minimize the management burden through approaches that stress decentralization, selectivity, and incentives.

The prolonged recession

Chapter 2 argues that the recession of the past three years was no simple repetition of the mid-1970s. Following the jump in oil prices in 1973, GDP growth rates slumped and then recovered rapidly, although growth in the three subsequent years was still below the average for 1970. By contrast, the decline in growth rates after the 1979 oil price increase was less steep, but the recovery has been much slower.

Developing countries are directly affected by fluctuations in the industrial world. Overall their growth rates have been higher since 1960; however, even those that have grown fastest have not been able to avoid the cyclical influence of industrial countries. They have also been affected by high interest rates. Both effects were powerful in the early 1980s; many developing countries were squeezed between stagnating export earnings and soaring interest payments on their debt.

Developing countries have reacted to these pressures in different ways. Those middle-income countries that had adopted outward-oriented trade policies—mainly in East Asia—have mostly managed to maintain the momentum of export expansion and avoid serious new debt problems. But some countries, including several in Latin America that had borrowed heavily and adjusted less (or inappropriately) during the 1970s, have been hit by the high interest rates and have had to deflate in response to a liquidity crisis. In Latin America as a whole, according to preliminary estimates, debt service as a ratio to export earnings rose from 33 to 53 percent between 1980 and 1982, while GDP fell by 3.6 percent. East Asia's debt service ratio in 1982 is estimated at only 9 percent.

The two largest low-income countries—China and India—have come through the current recession with encouraging resilience. They were not so heavily dependent on foreign trade, had little commercial debt, and so were not much affected by high interest rates. They have also made impressive progress in agriculture.

Low-income countries in Africa, being more dependent on primary commodity exports, have suffered badly from the world recession. Their per capita income has continued to fall and, unless the trends are reversed, could be lower by the end of the 1980s than it was in 1960. To prevent this happening will require policy reforms by many African governments, a recovery of commodity prices, and a large expansion of international aid to the region.

Trade and protectionism

Protectionism has not so far prevented a substantial growth in trade. Chapter 2 describes how developing countries have increased the volume of their exports by an average of 5.1 percent a year in 1970–80; for manufactures alone, the growth rate was 15.9 percent a year. As a result, the market share of developing-country manufactured goods in

industrial economies has increased from 1.7 percent in 1970 to 3.4 percent in 1980.

But the danger lies in the future. Protectionist sentiments have been growing in the industrial countries, largely on account of the implacable rise in unemployment and the financial difficulties of companies that are no longer internationally competitive. The temptation to seek relief by import controls has been considerable, at times irresistible. Among many measures to protect ailing industries, governments have erected a formidable set of controls against the textile exports of developing countries. The Multifibre Arrangement, covering as much as 15 percent of developing-country manufactured exports, is an extreme example of trade restriction since governments started to undo the protectionism that contributed to the depression of the 1930s. In other industries, too, the exports of developing countries have faced new (particularly nontariff) trade barriers.

The political challenge is first to halt and then to reverse the drift toward protectionism. The ministerial meeting of the General Agreement on Tariffs and Trade (GATT) held in November 1982 set the stage for further liberalization. Greater participation by developing countries in GATT would help strengthen its role as the most appropriate forum for continued negotiations to reduce trade barriers.

Debt and capital flows

An important part of the analysis set out in Chapter 2 is devoted to issues related to international debt. Capital markets have become highly integrated over the quarter century since currency convertibility was established. While this integration has many merits, a sharp rise in U.S. interest rates can turn an acceptable debt service burden for a developing country into a debt crisis.

Viewed globally, the world debt situation is manageable, provided there is close international cooperation to achieve a sustained recovery in international trade and to rescue those borrowers facing acute debt servicing problems. Such problems can have one of two causes: a country's temporary shortage of liquidity or its long-term inability to service its debt, even when the interest rates it is charged are not atypically high. The debt problems of most developing countries are caused by illiquidity, not by insolvency. The ability of developing countries to service their debt will depend on a continued recovery in world demand, a decline in real interest rates, and a determined restructuring of their own economies. In the meantime, they need continued inflows of capital to ease their liquidity shortage.

That need has been recognized by several initiatives taken over the past year. Central banks have cooperated to provide emergency loans to some countries, notably through the Bank for International Settlements. The International Monetary Fund's resources have been substantially expanded. During 1982 the debts of twelve countries were rescheduled and thirteen others were under negotiation in the first quarter of 1983. But the ad hoc debt rescheduling characteristic of the past is no solution for countries with deep-seated problems. And the

IMF's resources alone are insufficient to meet urgent needs. Close collaboration among creditor governments, commercial banks, and the international financial institutions is needed to facilitate long-term adjustments to restore financial viability.

While steps are being taken to ease the debt difficulties of the main middle-income borrowers, too little has been done to assist the low-income countries seriously affected by the 1980–82 recession. They depend on official aid for 84 percent of their foreign capital inflows, so their capacity to import and to invest is directly affected by the aid programs of the industrial countries. Aid as a proportion of the GNP of DAC (Development Assistance Committee) members was no higher in 1981–82 than in the late 1960s (0.37 percent).

Prospects for higher economic growth

Developing countries' current difficulties should be greatly eased by the recovery in the world economy that now appears to be under way, assisted by the fall in interest rates and oil prices that have already occurred. Interest rates remain high and are a heavy added burden on the balance of payments of developing countries. Each percentage point off Eurodollar interest rates saves these countries over $2 billion net in interest payments in a full year. The ratio of debt service to export earnings is projected to fall from a peak of 21 percent in 1982 to under 12 percent in 1995. For net oil-importing developing countries every dollar off the price of a barrel of oil reduces their annual import bill by $2 billion. The falling oil price is creating problems for oil exporters, especially those which have overborrowed and are now seriously strapped for foreign exchange. However, they should benefit if, as seems likely, the oil price hardens again in the medium term. The oil price in the longer term is expected to rise gradually; by 1995 the price in real terms is projected to be about 20 percent higher than the peak in 1981. For this reason oil-importing developing countries should persist with measures to conserve energy and actively search for additional domestic sources of energy.

It would be premature to assume that the industrial countries will achieve sustained growth such as they experienced in the 1950s and 1960s. Continued rapid growth in the early 1970s was checked by the recession of 1974–75, and the subsequent recovery after 1976 petered out. For the present, inflation has been curbed, but interest rates and exchange rates are unstable, reflecting (and contributing to) a pervading sense of uncertainty. Industry and agriculture have been slow to adjust to new patterns of comparative advantage. For growth to be sustained, industrial countries must restructure, but as yet there are too few signs that underlying structural problems are being adequately tackled.

Despite the encouraging signs of recovery, business confidence has been badly shaken and investment is sluggish. Global recovery cannot, by itself, produce accelerated, equitable growth in low-income countries, and there is a danger that continued recession in developing

Past and projected growth of GDP, 1960–95
(average annual percentage change)

Country group	1960–73	1973–80	1980–82	1982–85	1985–95 Low	1985–95 Central	1985–95 High
All developing countries[a]	6.0	4.7	1.9	4 4	4.7	5.5	6.2
Low-income							
Asia	4.6	5 4	4 1	4.5	4.5	4.9	5.3
Africa	3.5	1.4	0.5	2.9	2.7	3.3	3.9
Middle-income							
Oil importers	6.3	5.2	1 2	4.5	4.4	5.7	6.9
Oil exporters	7.0	3 7	1.3	4.2	5.3	5.7	5.8
Industrial countries	5.0	2.5	0.4	3.0	2.5	3.7	5 0

a. Excluding high-income oil exporters.

countries may undermine the pace of economic recovery in the industrial countries.

Chapter 3 depicts three sets of projections—corresponding to low, central, and high GDP growth—for the period up to 1995 (see Table). These scenarios, which abstract from cyclical fluctuations and concentrate on underlying long-term trends, illustrate the impact of different assumptions relating to policies.

The World Bank's assessment suggests that a 4 to 5 percent GDP growth rate annually over the next decade is feasible for the developing countries as a group. To achieve this, a concerted national and international effort is needed to ensure that recovery from the current recession is strong and lasting, and that individual economies are restructured to meet the changed economic conditions.

Policy reforms are needed so all economies can conform better to their comparative advantage, keep wages in line with productivity, and remove price distortions. These will be much easier to accomplish if pressures toward increased protectionism are resisted and existing barriers to trade begin to be rolled back—permitting the return to a rapidly expanding world trade and including increasing trade among developing countries.

To enable the developing countries to return to the growth rates of the 1960s and 1970s, net capital flows of *all* kinds must continue to increase, not as rapidly as in the 1970s, but by about 3.5 to 4 percent annually in real terms. International private capital is essential to the development process, in the form of both direct investment and commercial lending. The liquidity problems of some major borrowers have shaken confidence in international lending with the perverse effect of reducing the availability of commercial capital even to some developing countries that have managed to perform well during the current crisis; this has resulted in postponed investment, curtailed inputs, and slowed development.

In this context the role of international financial institutions is extremely important. Substantially increased lending in support of sound development programs is essential to regain and sustain the devel-

opment momentum of middle-income borrowers. The poorest developing countries—especially those in sub-Saharan Africa—have been hardest hit by the current prolonged recession. They are particularly dependent on flows of concessional resources. An essential international action to ameliorate the crisis and restore some forward movement for these countries would be early agreement on substantially increased contributions to IDA, to be channeled entirely to the poorest countries.

The search for

International actions can greatly improve the external environment confronting developing countries, but cannot supplant the efforts that the developing countries must make themselves. Part II of the Report explores how developing countries can manage their affairs better, drawing on the lessons of the past twenty-five years. The underlying concern is the search for greater efficiency in the pursuit of governments' social and economic objectives. The current economic slowdown makes the task more urgent, as well as more difficult.

Too often development is discussed only in terms of policies, without regard to the institutions and people who decide and execute them. This Report seeks to redress the imbalance. It examines the role of the state, stresses the importance of appropriate incentives (especially prices) to foster development, and discusses the institutional arrangements needed to formulate and carry out a consistent development strategy. The Report draws on country experience to identify ways of improving the efficiency of state-owned enterprises, project management, and, more generally, the performance of the public bureaucracy.

Over the long term the challenge for developing countries is to use their limited resources more efficiently and more equitably. Every government faces this challenge: whatever the political objectives, the goal is to find the most cost-effective means of achieving them. Chapter 4 summarizes some of the evidence for potential gains from greater efficiency. Eliminating major price distortions alone may increase GDP growth by as much as one or two percentage points a year. Other substantial gains could result from better investment decisions, prompt completion of projects, proper maintenance of plant and machinery, and fuller use of human skills. In most countries, the consequences of inefficiencies are felt most by those who have least—the poor.

This stress on efficiency is compatible with efforts to assist the poor. Well-designed programs to improve management of public projects, reduce inflationary budget deficits, make bureaucracies more responsive, limit nonessential activities, and share the management burden with the private sector to ensure that vital public services are performed well—all these complement efforts to assist the poor. Today's difficult economic situation requires more than ever a critical appraisal of those well-intentioned initiatives that have gone awry—the costly subsidy that mainly benefits the better off, or the state enterprise that employs a bloated labor force at relatively high wages. To raise the standard of

living of the very poor, scarce resources must be carefully targeted as well as efficiently managed.

Role of the state

Chapter 5 discusses the role of the state. The boundary between the state and the private sector is never clear-cut and varies widely from country to country. Whatever the division of roles, it is misleading to analyze efficiency in terms of ownership. What matters more is creating the conditions that encourage efficiency in both the private and public sectors. Such an environment is largely determined by governments, not simply by the way they affect the private sector through legislative and fiscal measures but also by the way they manage their own affairs.

Good management of the economy depends on well functioning public institutions as well as on the correct choice of policies. For this, public sector activities have to be tailored to the limited managerial resources available. However, in an effort to accelerate development, governments have become increasingly active. In the process many have often been badly overstretched and hence have contributed to inefficiency. This Report suggests ways to strengthen public management and, more generally, the incentives needed for all enterprises to operate more efficiently.

Governments could also share more of the burden of promoting development with other organizations—private firms, community associations, and the like. Much is to be gained from relying on markets to do what experience has shown that markets generally do best. That still leaves the government responsible for macroeconomic policy, for managing public revenues and expenditures, and for running public enterprises and public services. Equipping the public service to carry out these tasks well is difficult enough.

The importance of prices

The Report distinguishes between two complementary aspects of efficiency: allocative efficiency and operating efficiency (how well institutions are run). Prices are an extraordinarily effective allocative mechanism. This is true not only for market economies; almost all the economic reforms attempted by the centrally planned economies (for example, Hungary, Yugoslavia, and China) have been toward greater reliance on prices. But the difficulty lies in ensuring that prices reflect relative scarcities.

Chapter 6 contains an analysis of major price distortions in thirty-one economies during the 1970s. In this period relative prices changed rapidly, partly because of floating currencies and two sharp increases in the cost of oil. Many countries failed to adjust their domestic prices to these international changes, so price distortions assumed serious proportions. Cross-country analysis set out in Chapter 6 reveals that the best economic performances tend to be closely associated with the lowest price distortions in the key prices governing trade, foreign exchange, capital (interest rates), wages, and energy. However, countries that have tried to correct price distortions have seldom found it easy. To obtain good results, adjustment programs must be tailored to the

(Text continues on page 12.)

Table 1. Basic indicators

	Population (millions) Mid-1981	Area (thousands of square kilometers)	GNP per capita Dollars 1981	GNP per capita Average annual growth (percent) 1960–81[b]	Average annual rate of inflation[a] (percent) 1960–70[c]	Average annual rate of inflation[a] (percent) 1970–81[d]	Adult literacy (percent) 1980[e]	Life expectancy at birth (years) 1981
Low-income economies	2,210.5 *t*	31,020 *t*	270 *w*	2.9 *w*	3.5 *m*	11.2 *m*	52 *w*	58 *w*
China and India	1,681.5 *t*	12,849 *t*	280 *w*	3.5 *w*	. .	.	56 *w*	61 *w*
Other low-income	529.0 *t*	18,171 *t*	240 *w*	0.8 *w*	3.3 *m*	11.6 *m*	40 *w*	50 *w*
1 Kampuchea, Dem		181			3.8			
2 Bhutan	1.3	47	80	0.1				45
3 Lao PDR	3.5	237	80				44	43
4 Chad	4.5	1,284	110	−2.2	4.6	7.4	15	43
5 Bangladesh	90.7	144	140	0.3	3.7	15.7	26	48
6 Ethiopia	32.0	1,222	140	1.4	2.1	4.1	15	46
7 Nepal	15.0	141	150	0.0	7.7	9.3	19	45
8 Burma	34.1	677	190	1.4	2.7	10.7	66	54
9 Afghanistan	16.3	648			11.9	5.0	20	37
10 Mali	6.9	1,240	190	1.3	5.0	9.7	10	45
11 Malawi	6.2	118	200	2.7	2.4	10.3	25	44
12 Zaire	29.8	2,345	210	−0.1	29.9	35.3	55	50
13 Uganda	13.0	236	220	−0.6	3.2	41.2	52	48
14 Burundi	4.2	28	230	2.4	2.8	11.6	25	45
15 Upper Volta	6.3	274	240	1.1	1.3	9.5	5	44
16 Rwanda	5.3	26	250	1.7	13.1	13.4	50	46
17 India	690.2	3,288	260	1.4	7.1	8.1	36	52
18 Somalia	4.4	638	280	−0.2	4.5	12.6	60	39
19 Tanzania	19.1	945	280	1.9	1.8	11.9	79	52
20 Viet Nam	55.7	330					87	63
21 China	991.3	9,561	300	5.0			69	67
22 Guinea	5.6	246	300	0.2	1.5	4.6	20	43
23 Haiti	5.1	28	300	0.5	4.0	10.0	23	54
24 Sri Lanka	15.0	66	300	2.5	1.8	13.1	85	69
25 Benin	3.6	113	320	0.6	1.9	9.4	28	50
26 Central African Rep	2.4	623	320	0.4	4.1	12.6	33	43
27 Sierra Leone	3.6	72	320	0.4		12.2	15	47
28 Madagascar	9.0	587	330	−0.5	3.2	10.6	50	48
29 Niger	5.7	1,267	330	−1.6	2.1	12.2	10	45
30 Pakistan	84.5	804	350	2.8	3.3	13.1	24	50
31 Mozambique	12.5	802					33	
32 Sudan	19.2	2,506	380	−0.3	3.7	15.9	32	47
33 Togo	2.7	57	380	2.5	1.3	8.9	18	48
34 Ghana	11.8	239	400	−1.1	7.6	36.4		54
Middle-income economies	1,128.4 *t*	41,108 *t*	1,500 *w*	3.7 *w*	3.0 *m*	13.1 *m*	65 *w*	60 *w*
Oil exporters	506.5 *t*	15,036 *t*	1,250 *w*	3.8 *w*	3.0 *m*	13.8 *m*	58 *w*	57 *w*
Oil importers	621.9 *t*	26,072 *t*	1,670 *w*	3.7 *w*	3.0 *m*	13.0 *m*	72 *w*	63 *w*
Lower middle-income	663.7 *t*	19,302 *t*	850 *w*	3.4 *w*	2.8 *m*	11.1 *m*	59 *w*	57 *w*
35 Kenya	17.4	583	420	2.9	1.6	10.2	47	56
36 Senegal	5.9	196	430	−0.3	1.7	7.9	10	44
37 Mauritania	1.6	1,031	460	1.5	2.1	9.0	17	44
38 Yemen Arab Rep	7.3	195	460	5.5		15.6	21	43
39 Yemen, PDR	2.0	333	460				40	46
40 Liberia	1.9	111	520	1.2	1.9	8.9	25	54
41 Indonesia	149.5	1,919	530	4.1		20.5	62	54
42 Lesotho	1.4	30	540	7.0	2.7	10.5	52	52
43 Bolivia	5.7	1,099	600	1.9	3.5	23.0	63	51
44 Honduras	3.8	112	600	1.1	2.9	9.1	60	59
45 Zambia	5.8	753	600	0.0	7.6	8.4	44	51
46 Egypt	43.3	1,001	650	3.5	2.6	11.1	44	57
47 El Salvador	4.7	21	650	1.5	0.5	10.8	62	63
48 Thailand	48.0	514	770	4.6	1.8	10.0	86	63
49 Philippines	49.6	300	790	2.8	5.8	13.1	75	63
50 Angola	7.8	1,247						42
51 Papua New Guinea	3.1	462	840	2.5	4.0	8.6	32	51
52 Morocco	20.9	447	860	2.4	2.0	8.2	28	57
53 Nicaragua	2.8	130	860	0.6	1.8	14.2	90	57
54 Nigeria	87.6	924	870	3.5	4.0	14.2	34	49
55 Zimbabwe	7.2	391	870	1.0	1.3	10.1	69	55
56 Cameroon	8.7	475	880	2.8	4.2	10.6		50
57 Cuba	9.7	115					95	73
58 Congo, People's Rep	1.7	342	1,110	1.0	5.9	11.8		60
59 Guatemala	7.5	109	1,140	2.6	0.3	10.4		59
60 Peru	17.0	1,285	1,170	1.0	10.4	34.3	80	58
61 Ecuador	8.6	284	1,180	4.3	6.1	14.1	81	62
62 Jamaica	2.2	11	1,180	0.8	4.0	16.8	90	71
63 Ivory Coast	8.5	322	1,200	2.3	2.8	13.0	35	47
64 Dominican Rep	5.6	49	1,260	3.3	2.1	9.1	67	62

	Population (millions) Mid-1981	Area (thousands of square kilometers)	GNP per capita Dollars 1981	GNP per capita Average annual growth (percent) 1960–81[b]	Average annual rate of inflation[a] (percent) 1960–70[c]	Average annual rate of inflation[a] (percent) 1970–81[d]	Adult literacy (percent) 1980[e]	Life expectancy at birth (years) 1981
65 Mongolia	1.7	1,565						64
66 Colombia	26.4	1,139	1,380	3.2	11.9	22.4	81	63
67 Tunisia	6.5	164	1,420	*4.8*	3.6	8.2	*62*	61
68 Costa Rica	2.3	51	1,430	3.0	1.9	15.9	90	73
69 Korea, Dem. Rep.	18.7	121						66
70 Turkey	45.5	781	1,540	3.5	5.6	32.7	*60*	62
71 Syrian Arab Rep.	9.3	185	1,570	3.8	2.6	12.0	*58*	65
72 Jordan	3.4	98	1,620				*70*	62
73 Paraguay	3.1	407	1,630	3.5	3.1	12.4	*84*	65
Upper middle-income	**464.7** *t*	**21,806** *t*	**2,490** *w*	**4.2** *w*	**3.0** *m*	**18.6** *m*	**76** *w*	**65** *w*
74 Korea, Rep. of	38.9	98	1,700	6.9	17.5	19.8	*93*	66
75 Iran, Islamic Rep. of	40.1	1,648			−0.5	*20.1*	*50*	58
76 Iraq	13.5	435			1.7			57
77 Malaysia	14.2	330	1,840	4.3	−0.3	7.4	60	65
78 Panama	1.9	77	1,910	3.1	1.6	7.6	85	71
79 Lebanon	2.7	10			1.4	*14.6*		66
80 Algeria	19.6	2,382	2,140	3.2	2.7	13.4	*35*	56
81 Brazil	120.5	8,512	2,220	5.1	46.1	42.1	*76*	64
82 Mexico	71.2	1,973	2,250	3.8	3.5	19.1	83	66
83 Portugal	9.8	92	2,520	4.8	3.0	17.0	*78*	72
84 Argentina	28.2	2,767	2,560	1.9	21.4	134.2	*93*	71
85 Chile	11.3	757	2,560	0.7	33.0	164.6		68
86 South Africa	29.5	1221	2,770	2.3	3.0	12.8		63
87 [illegible]	22.5	256	2,790	5.0	12.6	19.4	85	71
88 [illegible]	2.9	176	2,820	1.6	51.1	60.2	*94*	71
89 Venezuela	15.4	912	4,220	2.4	1.3	12.5	*82*	68
90 Greece	9.7	132	4,420	5.4	3.2	14.8		74
91 Hong Kong	5.2	1	5,100	6.9	2.4	18.4	90	75
92 Israel	4.0	21	5,160	3.6	6.2	45.5		73
93 Singapore	2.4	1	5,240	7.4	1.1	5.2	83	72
94 [illegible] Tobago	1.2	5	5,670	2.9	3.2	18.7	*95*	72
High-income oil exporters	**15.0** *t*	**4,012** *t*	**13,460** *w*	**6.2** *w*		**18.2** *m*	**32** *w*	**57** *w*
95 Libya	3.1	1,760	8,450	4.7	5.2	17.3		57
96 Saudi Arabia	9.3	2,150	12,600	*7.8*		24.3	25	55
97 Kuwait	1.5	18	20,900	*−0.4*		18.2	60	70
98 United Arab Emirates	1.1	84	24,660				56	63
Industrial market economies	**719.5** *t*	**30,935** *t*	**11,120** *w*	**3.4** *w*	**4.3** *m*	**9.9** *m*	**99** *w*	**75** *w*
99 Ireland	3.4	70	5,230	3.1	5.2	14.2	*98*	73
100 Spain	38.0	505	5,640	4.2	8.2	16.0		74
101 Italy	56.2	301	6,960	3.6	4.4	15.7	98	74
102 New Zealand	3.3	269	7,700	1.5	3.6	12.9	99	74
103 United Kingdom	56.0	245	9,110	2.1	4.1	14.4	*99*	74
104 Japan	117.6	372	10,080	6.3	5.1	7.4	99	77
105 Austria	7.6	84	10,210	4.0	3.7	6.1	99	73
106 Finland	4.8	337	10,680	3.6	6.0	12.0	100	75
107 Australia	14.9	7,687	11,080	2.5	3.1	11.5	100	74
108 Canada	24.2	9,976	11,400	3.3	3.1	9.3	*99*	75
109 Netherlands	14.2	41	11,790	3.1	5.4	7.6	*99*	76
110 Belgium	9.9	31	11,920	3.8	3.6	7.3	99	73
111 France	54.0	547	12,190	3.8	4.2	9.9	99	76
112 United States	229.8	9,363	12,820	2.3	2.9	7.2	*99*	75
113 Denmark	5.1	43	13,120	2.6	6.4	10.0	99	75
114 Germany, Fed. Rep.	61.7	249	13,450	3.2	3.2	5.0	*99*	73
115 Norway	4.1	324	14,060	3.5	4.4	8.8	*99*	76
116 Sweden	8.3	450	14,870	2.6	4.3	10.0	*99*	77
117 Switzerland	6.4	41	17,430	1.9	4.4	4.8	*99*	76
East European nonmarket economies	**380.8** *t*	**23,422** *t*	.	.			**99** *w*	**72** *w*
118 Albania	2.8	29						70
119 Hungary	10.7	93	2,100[a]	5.0		2.9	99	71
120 Romania	22.5	238	2,540[a]	8.2	−0.2		*98*	71
121 Bulgaria	8.9	111						73
122 Poland	35.9	313					98	73
123 USSR	268.0	22,402					*100*	72
124 Czechoslovakia	15.3	128						72
125 German Dem. Rep.	16.7	108						73

a See the technical notes. b Because data for the early 1960s are not available, figures in italics are for periods other than that specified. c Figures in italics are for 1961–70, not 1960–70. d Figures in italics are for 1970–80, not 1970–81. e Figures in italics are for years other than those specified. See the technical notes.

circumstances of individual countries and managed with close attention to timing, pace, and scope.

National economic management

Correcting price distortions cannot alone ensure more efficient resource use. A sound macroeconomic policy framework is a precondition for sustained economic growth. It is important for this framework both to be flexible enough to adjust to external circumstances and to provide appropriate incentives. Yet there are no simple generalizations about the policies to adopt, or the institutional arrangements needed for managing these policies, that would apply to all countries.

Chapter 7 reviews country experience in managing economic and financial policy. Current structural adjustment problems underline the need for greater attention to policy analysis. Planning has been excessively concerned with producing detailed, long-term blueprints for development, to the neglect of policy analysis and the preparation of public investment programs. The process of planning—formulating a development strategy, analyzing policy, and assessing investment options—matters more than drafting comprehensive plan documents that rapidly become obsolete.

Many countries still lack the close links between policy analysis, investment analysis, and budgeting needed to define and carry out a development strategy. They also need more timely and reliable feedback, which can be obtained by better monitoring of the economy. But governments do not have the resources to evaluate continuously all activities and, in any event, attempting comprehensiveness is inherently wasteful. Selective tracking of government activities is the key, whether through data collection, auditing, or project evaluation. In particular, more of the resources of central statistical offices should be devoted to assembling essential data on national accounts and other information that are most relevant for policy analysis. This implies running fewer major censuses and more small sample surveys that can quickly yield data on specific issues under review.

Managing state-owned enterprises

The role of the state as regulator is critical in establishing an environment conducive to efficiency in all economies. The role of the state as producer varies considerably, with state-owned enterprises (SOEs) accounting for as little as 2 or 3 percent of GDP in the Philippines, but rising to as much as 64 percent in Hungary. Everywhere, governments are showing increasing concern about the performance of SOEs. They can be a large drain on the national budget, needing massive subsidies to cover operating losses.

Chapter 8 suggests ways of improving SOE efficiency. An agenda for reform would concentrate on:

- Setting clear-cut and attainable objectives and policies
- Devolving responsibility for the achievement of the agreed objectives to the management of the enterprise, with ministries desisting from day-to-day interference in the running of the enterprise

- Devising measurable performance indicators that are regularly monitored
- Liquidating nonviable enterprises that are an unjustified burden on the state and otherwise encouraging, wherever possible, competition among enterprises and with imports.

Negotiated agreements between the state (as owner) and the enterprise can help put relations between SOEs and government on a sound basis. The essential task is to define the SOE's objectives and the policies and related corporate plan for their fulfillment, and to set out the financial obligations of each party. Developing such a framework to guide SOEs toward greater efficiency is a lengthy, complex process that requires commitment, persistence, and flexibility on the part of the representatives of both the state and the enterprise.

Program and project management

Government's efforts to promote development are also evidenced by the ever-growing number of programs and projects being undertaken in developing countries. These, too, have strained the managerial capacity of governments. Over the years much has been learned about ways to lessen these strains; Chapter 9 assesses the lessons of this experience.

While management systems vary according to the activity, many successful projects and programs share certain qualities:

- The development of management skills through on-the-job training and incentives. On-the-job training helps to ensure relevance and avoids diverting staff from productive work. Different incentives have been used to retain and motivate staff: apart from financial rewards, these include promotion and stable tenure; collegial management styles; and public recognition of performance. Management development policies often have their main payoff in the long term, so persistence is a precondition of success.
- The use of the private sector, nongovernment organizations, and program beneficiaries. This involves developing new management skills—such as the ability to supervise contractors and to enlist the help of beneficiaries.
- Managerial autonomy coupled with the development of management information systems. Successful organizations have delegated responsibilities to clearly defined management units and developed effective systems for measuring their performance. Timely reporting of results has given managers the encouragement of recognition and the pressure of possible sanctions. Reporting results to beneficiaries and to the general public is also an important and much-neglected performance incentive.
- A simplified management task, through isolating priorities, defining individual and agency roles, and dividing big programs into smaller tasks and management teams. Clarity and concentration count, whether in choosing a single program goal or limiting extension advice to a few

key messages; agreeing on a set of goals and roles in multiagency programs; or developing relevant skills.

The management techniques appropriate for physical projects (construction, industrial plants, and such like) differ significantly from those needed in people-centered programs (such as agricultural extension, education, health, or squatter upgrading), where the beneficiaries are active participants. People-centered projects are surrounded by many uncertainties about how to influence behavior, which influence is the key to their effectiveness. Successful management therefore depends on incorporating in the design of programs a learning process that will allow implementation to be constantly adapted.

Chapter 9 also reviews the management problems that arise when projects and programs are implemented by several agencies. Again, there is a contrast between physical projects, which can rely on contacts between agencies, and people-centered programs, which need continuous informal contacts among field staff.

Managing the public service

Project-level efforts to improve management cannot compensate for a general shortage of skills or public service personnel practices that need reform. These issues are discussed in Chapter 10. System-wide structural and procedural reforms also may be required—issues that are taken up in Chapter 11.

In recent years public employment in developing countries has grown four or five times faster than in industrial countries and two or three times faster than population. This trend is in response to the demand for improved public services. But often there is overstaffing at lower levels, accompanied by shortages of professional and technical staff. Governments are in constant competition with the private sector for competent staff. Care must be taken to balance the needs of the public and private sectors. The long-run solution to this problem lies in producing more skills of all kinds—which means increasing the responsiveness of the formal educational system to trends in the labor market. But the immediate shortages remain and can be met partly through job-related training and more imaginative personnel policies.

Training is widely advocated but poorly executed. Public service training needs to be made more relevant to the demands of the job. This entails forging close links between trainers and trainees and between training and career development, as well as developing local training materials and programs.

Ensuring that staff training is relevant is the responsibility of the government's personnel office. A strong civil service requires a personnel office that actively manages rather than passively administers personnel policies. Strengthening personnel management demands, above all, improving the management capabilities of personnel offices and giving them the status they need to carry out policy reforms. Other policy measures discussed in Chapter 10 include establishing career schemes for occupational groups, instituting an effective system of

performance evaluation, and avoiding big salary differentials between the private sector and the civil service.

Burden-sharing

Even when governments have effective methods for managing SOEs, as well as their own projects and programs, they can still find themselves overstretched by the range of responsibilities they have assumed. Administrative capacity is limited in every country; in some developing countries it is the scarcest resource of all. Reducing the burden on senior administrators is therefore a precondition for greater efficiency, and much can be achieved by decentralizing—both within the public sector and to groups outside it.

Day-to-day decisions can devolve to those who are responsible for carrying them out, and who have the advantage of detailed knowledge not possessed by those at the center. Decentralizing is a way to increase the responsiveness of government to those it serves and can involve those outside government—community organizations, for example—whose active support is often necessary in promoting development. Decentralization to relieve an overburdened central administration will be successful only if it is accompanied by the transfer of adequate staff and financial resources. Local government authorities are widely found to be weak, precisely because they are denied material support. Burden-sharing can also be achieved by subcontracting, with some public services provided by private operators.

Strengthening accountability

Decentralization and accountability go hand-in-hand. The key to effective accountability is a good information system linked to well defined performance criteria. Private firms achieve this by creating profit centers with managers being given clearly demarcated responsibilities. Public bureaucracies can adopt a comparable arrangement if programs are fully identified in the budget, so that a specific service can be costed and evaluated. Lacking the cost consciousness of a profit-making organization, governments have made slow progress in introducing program budgeting, despite considerable discussion of the need for budget reform over the years. At present some twelve developing countries have begun to introduce such a system.

External accountability is primarily achieved through the political process. It is greatly assisted by the practice of openly publishing regular reports which are prepared by public bodies and which detail their expenditures and achievements. The concept of information as a powerful weapon for increasing public accountability can be expanded to cover a wide variety of public services. Appropriately channeled, client pressures can have a salutary effect on public managers. This was demonstrated in the case of Kenya when the government decided in 1978 to publish school examination results, thus enabling parents to compare the performance of their children's school with others. This generated considerable public pressure to upgrade the quality of teaching.

A similar approach can be used to enhance internal accountability. The Indonesian family planning program, by publishing the number

of new acceptors recruited by different subunits, established a performance norm and thereby encouraged each subunit to strive to meet or better the norm. In this way, a monitoring system—essential if decentralization is not to result in an unacceptable loss of control by the center—can also be used to motivate local managers. A close interconnection thus can exist between decentralization, competition, and accountability that may be exploited to improve efficiency.

In conclusion

The underlying assumption of this Report is that all governments of developing countries, whatever their political complexion and their concern for equity, do attach priority to economic and social development. Governments nevertheless vary greatly in the commitment of their political leadership to improving the condition of the people and encouraging their active participation in the development process. When political leaders are recognized for their integrity, vision, and concern for the public welfare, these qualities can be reflected in the ethos and performance of the public service and will have a profound impact on all sections of society. But if corruption is rife, public bureaucracy is likely to become demoralized and self-serving.

Governments can achieve more through persistent but selective efforts at administrative reform, step by step, rather than through major changes that threaten many entrenched interests simultaneously and are therefore often neutralized by them. The correct time horizon for institutional development is decades rather than years. But the very pressures that push governments into an activist role are those that drive them to seek quick solutions. Too often a program has hardly started before fashions change, support is withdrawn, the approach changed, and a new program started. Institutional reform will be successful only if it is pursued with vision, tenacity, and strong political leadership.

The economic fluctuations of the 1970s, and their culmination in the recession of 1980–82, have underscored the uncertainty of the economic environment in which farmers, businesses, and governments have to operate. Readiness to take risks and show flexibility in responding to unforeseen events are therefore essential to successful management.

Background Papers for *World Development Report 1983*

Thirteen background papers are being prepared as supporting documentation for the 1983 Report. These in-depth Working Papers, which will be available in English only, provide a new perspective on current issues in international economics and management. They will appear between August and November 1983. In November they may be ordered as a set for the special price of US$29. The titles are listed below and on the order form on page 20 of this pamphlet.

—*The Japanese and Korean Experiences in Managing Development* (#574)
—*Price Distortions and Growth in Developing Countries* (#575)
—*Planning in Developing Countries: Lessons of Experience* (#576)
—*Managing State-Owned Enterprises* (#577)
—*Development Finance Companies, State and Privately Owned: A Review* (#578)
—*Economic Reform in Socialist Countries: The Experiences of China, Hungary, Romania, and Yugoslavia* (#579)
—*Corruption and Administrative Performance: Examples from Developing Countries* (#580)
—*Decentralization in Developing Countries: A Review of Recent Experience* (#581)
—*Policies for Strengthening Local Government in Developing Countries* (#582)
—*Managing the Public Service in Developing Countries: Issues and Prospects* (#583)
—*Training for Public Administration and Management in Developing Countries: A Review* (#584)
—*Successes and Failures in Meeting the Management Challenge: Strategies and Their Implementation* (#585)
—*Managing Project-Related Technical Assistance: The Lessons of Success* (#586)

Directory of World Bank Publications Distributors

Argentina
Carlos Hirsch, SRL
Florida 165–4 Piso
Galeria Guemes
Buenos Aires 1307

Australia, Papua New Guinea, Fiji, Solomon Islands, Western Somoa, and Vanuatu
Australian Financial Review Information Service
The Australian Financial Review
235–243 Jones Street, Broadway
Sydney, NSW 2001

Belgium
Publications des Nations Unies
Ave. du Roi 202
B 1060
Bruxelles

Canada
Le Diffuseur
C.P. 85
Boucherville J4B 5E6
Quebec

Egypt
Al Ahram
Al Galaa Street
Cairo

(*List continues on the following page.*)

Directory of Distributors (*continued*)

Germany (Federal Republic of)
UNO-Verlag
Simrockstrasse 23
D–5300 Bonn 1

India
UBS Publishers Distributors, Ltd.
5 Ansari Road
Post Box 7015
New Delhi, 110002

Indonesia
Pt. Indira Limited
Jl. Dr. Sam Ratulangi No. 37
Jakarta Pusat

Ireland
TDC Publishers
12 North Frederick Street
Dublin 1

Italy
Slamark International, S.P.A.
via Giacomo Trevis, 88
00147 Rome

Japan
Eastern Book Service
37–3, Hongo 3-Chome
Bunkyo-ku 113
Tokyo

Kenya
Africa Book Services (E.A.) Ltd.
P.O. Box 45245
Nairobi

Korea (Republic of)
Korea Overseas Publications, Inc.
73-1, Seorin-Dong
Chongro-Ku
Seoul

Malaysia
University of Malaya Co-Operative
Bookshop, Ltd.
P. O. Box 1127
Jalan Pantai Baru
Kuala Lumpur

Mexico
INFOTEC
San Lorenzo 153–11
Col. del Valle, Deleg. Benito Juarez
03100, Mexico D.F., Mexico

Netherlands
Medical Books Europe, B.V.
38 Noorderwel
7241 Bl. Lochem

United Kingdom and Northern Ireland
Microinfo Limited
P. O. Box 3
Newman Land
Alton, Hampshire, GU34 2PG
England

Singapore, Hong Kong, Taiwan, Burma
Information Publications Private, Ltd.
02–06 1st Floor—Pei-Fu Industrial Bldg.
24 New Industrial Road
Singapore

Spain
Mundi-Prensa Libros, S.A.
Castello 37
Madrid, 1

Thailand
Central Department Store
306 Silom Road
Bangkok
or
Thailand Management Assn.
308 Silom Rd.
Bangkok

Venezuela
Libreria del Este
Avda. Francisco de Miranda, No. 52
Edificio Galipan
Apartado 60.337
Caracas 1060–A

Publications Order Form

Send To:

Your local publisher or distributor listed on page 2 or pages 17 and 18.

WORLD BANK
PUBLICATIONS
P.O. BOX 37525
WASHINGTON,
D.C. 20013
U.S.A.

Or

WORLD BANK
PUBLICATIONS
66, AVENUE
d'IENA
75116 PARIS,
FRANCE

☐ Please send me the *World Development Report* in ☐ English ☐ Spanish ☐ French ☐ German ☐ Japanese ☐ Arabic ☐ Chinese. I have indicated on the overleaf the edition(s) I desire in what quantity and whether cloth (English only) or paper cover.

☐ Also send to me the companion Staff Working Papers as indicated on the overleaf.

☐ Enclosed is my check payable to World Bank Publications for US$_____ (or equivalent in other currency). Add US$2 per book if you desire air mail delivery. Charge my ☐ Visa ☐ Master Charge credit card. (Credit cards accepted only for orders addressed to Washington, D.C.)

_____ _____ _____

Account Number Expiration Date Signature

Name _____ Title _____

Address _____

City, State, Postal Code _____

Country _____

Publications Order Form *(continued)*

Stock Number	Title	Qty.	Price: Cloth (English only)	Price: Paper	Total
WDR-SET	World Development Report (1978–1983) Set Includes Six Volumes (Available While Supplies Last)		US$60	US$24	
WDR-83	Management in Development		US$20	US$ 8	
WDR-82	Agriculture and Economic Development		US$20	US$ 8	
WDR-81	Global, National Adjustment to Promote Sustainable Growth		US$20	US$ 8	
WDR-80	Poverty and Human Development		US$20	US$ 8	
WDR-79	International Policy Issues and Structural Change		US$20	US$ 8	
WDR-78	Priorities in Middle-Income Countries		US$20	US$ 8	
WDR-SWP SET (Available November 1983)	Background Papers to the 1983 World Development Report Set Includes 13 Staff Working Papers		NA	US$29	
SWP 574	Japanese and Korean Experiences		NA	US$ 5	
SWP 575	Price Distortions and Growth		NA	US$ 3	
SWP 576	Planning in Developing Countries		NA	US$ 3	
SWP 577	Managing State-Owned Enterprises		NA	US$ 3	
SWP 578	Development Finance Companies		NA	US$ 3	
SWP 579	Economic Reform in Socialist Countries		NA	US$ 3	
SWP 580	Corruption and Administrative Performance		NA	US$ 3	
SWP 581	Decentralization in Developing Countries		NA	US$ 3	
SWP 582	Local Government in Developing Countries		NA	US$ 3	
SWP 583	Managing the Public Service		NA	US$ 3	
SWP 584	Training for Public Administration		NA	US$ 5	
SWP 585	Successes and Failures		NA	US$ 3	
SWP 586	Technical Assistance		NA	US$ 3	

Subtotal Cost_____

Total copies: _____ Air mail surcharge if desired ($2.00 each)_____

Total_____

Prices may vary by country and are subject to change without notice.

What Users Say about the World Development Report

[A] *most remarkable publication. It is the nearest thing to having an annual report on the present state of the planet and the people who live on it. . . . It is going to be the essential almanac for monitoring the way we are going, and where we are going.*"—THE GUARDIAN (London)

"*I continue to refer back to previous volumes for period analyses. . . Extremely useful in foreign economic policy considerations.*"—DR. PENELOPE HARTLAND-THUNBERG, Senior Fellow, Center for Strategic & International Studies (Washington, D.C.)

"*World Development Reports' substantive material, based on actual project experience, prepares students in my course. . . for future careers in research and policy analysis.*"—DR. DARRELL RANDALL, Director, World Human Needs Institute, School of International Service, American University (Washington, D.C.).

THE WORLD BANK

Headquarters
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.
Telephone (202) 477-1234
Telex: WUI 64145 WORLDBANK
RCA 248423 WORLDBK
Cable address: INTBAFRAD
WASHINGTONDC

European Office
66, avenue d'Iéna
75116 Paris, France
Telephone: (1) 723-54.21
Telex: 842-620628

Tokyo Office
Kokusai Building
1–1, Marunouchi 3-chome
Chiyoda-ku, Tokyo 100, Japan
Telephone: (03) 214-5001
Telex: 781-26838