

Capacity Building in Economics and Business Management

Speech pronounced by Luis Carlos Jemio at the 20th Anniversary Event for the Joint-Japan/World Bank Graduate Scholarships Program that will take place in Tokyo, Japan on June 6th, 2007

First of all, I would like to thank the Japan's Government and the World Bank Institute for their invitation to participate in the 20th Anniversary Event for the Joint-Japan/World Bank Graduate Scholarships Program. Thanks to this Program I was able to undertake my postgraduate Ph.D studies at the Institute of Social Studies in The Hague-The Netherlands.

In its 20 years of existence, the JJ/WBGS Program has awarded 2,586 scholarships, selected from nearly 53,000 applicants from all over the world. Since the inception of the Program, the Government of Japan has provided over 174.1 million dollars to the Scholarship Program.

Latin America as a whole and Bolivia particularly have had a small share in the number of scholarships awarded by the JJ/WBGS program. Perhaps a plausible explanation of the reduced use of this opportunity is the fact that there is not a public policy aimed at promoting training at the post graduate level, despite the high beneficial effects post graduate training has to the society as a whole, in terms of economic and social development. Every country requires professionals that will think and device the reforms needed to produce the structural transformations that will promote development and the defeat of extreme poverty.

The main focus of educational public policies in Bolivia has been devoted to reduce the large gaps existing in the primary and basic education. Undergraduate studies have mainly been the responsibility of the various public and private universities, and post graduate training has mostly depended on individual initiatives. Most Bolivian professionals wanting to continue their academic training at the postgraduate level, have to search for the availability of scholarships on their own.

Despite this evident lack of public policies which would promote training at the post graduate level, the Bolivian public sector has benefited considerably from the expertise of professionals that obtained post graduate degrees as a result of their own individual initiatives. Many professional with post graduate studies have worked in institutions like the Ministry of Finance, The Central Bank of Bolivia, National Office of Statistics, and other public entities.

From my point of view, the beneficial effects of this influx of highly educated professionals to the country's economic and social development prospects have been threefold:

First, it improved considerably the design and analysis of public policies, which resulted in better and more sophisticated macroeconomic management. Well trained professionals participated very closely in the policy making, supporting policy decisions with research and technical analysis of alternative policy measures.

Second, it improved the decision making and managerial capacity within the public sector, which is one of the scarcest resources available in Bolivia. Over time, a large number of these professionals occupied key posts in the Government as ministers and other posts of high responsibility, during different government administrations.

Third, it helped to spread scientific knowledge to the civil society, as most of these professionals lecture at local universities, transferring their knowledge to new generations of professionals. This factor resulted in an improvement in the quality of local universities. Furthermore, these professionals comprise the faculty of the post graduate programs offered by local universities at the M.A. and Ph.D levels.

As a result of the improved managerial capacity of its economy, the country acquired over the last 20 years, there were very significant changes in the performance of the economy. For instance, during the 1980s Bolivia was beset by heavy external shocks, resulting in hyperinflation and economic recession. GDP went down by 15% cumulative between 1979 and 1985. At the end of the 90s, the Bolivian economy again suffered the negative impacts of shocks. This time however, the country was able to maintain stability and positive, albeit low economic growth.

As a result of other reforms undertaken during the 1990s, the country attracted sizable inflows of foreign direct investment, which resulted in an impressive increase in its natural gas reserves, converting Bolivia in the second country in South America with the largest reserves of natural gas. Furthermore, the access of the population to other services, like energy, telecommunications water facilities has improved considerably as a result of sectoral reforms that opened up strategic sectors to foreign investment.

However, despite the improvements the country showed at the macroeconomic level, the reforms were unable to significantly reduce the very high levels of poverty incidence that affects the bulk of the Bolivian population. The reforms focused on capital intensive sectors, such as hydrocarbons, electricity, telecommunications and financial services. Public policies did not focus on labor intensive sectors, like agriculture, manufacturing, and services.

The reform process needed to overcome the structural constraints that limit the capacity of the economy to create productive jobs need to focus on microeconomic aspects. This process is much more difficult and complex than the macroeconomic reforms implemented up to now. Furthermore, the results of the reforms will only be felt over the long run, and it requires persistency and consistency. Progress in improving the sophistication of companies and the quality of the business environment is the only way to produce real improvements in efficiency, product quality, and new business opportunities that support a rising standard of living for citizens. This process will require a much larger availability of highly qualified human resources, mainly in the form of managers, engineers, etc. who will run the firms, which eventually will create the employment opportunities for the population.

Base on data published by the World Economic Forum on World on Global Competitiveness, shows that factors such as: Availability of Scientists and Engineers; Quality of Scientific Research Institutions; University/Industry Research Collaboration; Quality of Management Schools; and Quality of Math and Science Education are highly correlated with the country's GDP per capita, and therefore are crucial if the country wants to accelerate its development process.

Thus, given the large contribution post graduate training entails to country's development, the Bolivian State should take a more active role in promoting it, devising and implementing an

aggressive structured strategy aimed at training public sector servants and other professionals, making an appropriate use of the training opportunities and scholarship availability—like that offered by the JJ/WBGS Program—and, more importantly, devoting public resources to this end.