Recent Reports

Poverty — its definition, measurement and alleviation — became a central issue in development circles in 1990 with the publication of reports on the subject by the World Bank and the United Nations Development Programme. These reports are reviewed below by leading Irish poverty researcher, **Brian Nolan.**

One of the world's most poverty-ridden regions, Sub-Saharan Africa, has been the subject of considerable debate over appropriate recovery strategies. That debate reached a turning point in 1989 with the publication of the World Bank/UNDP report ***Africa's Adjustment and Growth in the 1980s*** *which presented evidence that Bank/IMF — sponsored Structural Adjustment Programmes had resulted in increased growth in Africa. The UN Economic Commission for Africa (ECA) responded with its own report* ***Statistics and Policies*** *which threw considerable doubt on the data used in the Bank/UNDP document and argued that adjustment had actually retarded growth in those states that had embraced it most whole-heartedly. The ECA went on to propose an alternative development strategy in its* ***African Alternative to Structural Adjustment Programmes (AA-SAP) : A Framework for Transformation and Recovery.*** *These last three reports were reviewed in the 1989* Trócaire Development Review. *The World Bank has attempted to regain the intellectual high ground with its most recent report* ***Sub-Saharan Africa: From Crisis to Sustainable Growth,*** *which sets out an agenda for African development in the 1990s and beyond: this report is reviewed below by political scientist* **Trevor Parfitt.**

The question of appropriate development strategies for the 1990s extends beyond Sub-Saharan Africa to encompass the entire developing world. The most recent report of the OECD's Development Assistance Committee (DAC) sets out an agenda for development cooperation in the 1990s. A somewhat different set of development priorities is outlined in UNICEF's ***State of the World's Children 1990.*** *At a time when the ending of the 'cold war' is perceived to open up enormous developmental possibilities, a report on* ***World Military and Social Expenditures*** *is clearly of major interest in consideration of the options for the 1990s. Equally of interest is a report from the World Development Movement examining the effects on the Third World poor of* ***European integration,*** *a development which will significantly mould the world economic environment in the 1990s and beyond. These four reports are reviewed below by* **Andy Storey.**

Finally, aid flows will remain a vital developmental input for the foreseeable future. Two reports on this topic — one examining Irish attitudes to aid, and the other evaluating the EC's aid programme — are reviewed by **Andy Storey.**

Poverty

World Development Report 1990, The World Bank, Oxford University Press, Washington, D.C., 1990 (260 pages)

Human Development Report 1990, United Nations Development Programme, Oxford University Press, New York, 1990 (189 pages)

The theme of the *World Development Report 1990* (WDR), the thirteenth in the annual series from the World Bank, is poverty and its alleviation. The WDR provides a fascinating, and as usual superbly presented, analysis of the extent of poverty in the developing world. It also discusses at length the policies which seem to have been effective in combating poverty, based on in-depth country studies. Public expenditure on social services is accorded a crucial role, so the policy recommendations have a markedly different flavour from the more traditional Bank emphasis on reducing state intervention and reliance on market forces.

The first question which must be asked of any poverty study is: how is poverty being defined and measured? Like most such studies, the WDR begins with an apparently straightforward definition of poverty, elaborates it to show the complexity of the underlying concept, and then falls back on what are acknowledged to be crude measures. Poverty is defined as 'the inability to attain a minimal standard of living'. It is concerned with absolute living standards and is sharply distinguished from inequality. However, what are 'minimal standards'? The WDR states clearly that it is not only minimum levels of nutrition and other 'basic necessities' which are involved, and that the cost of participating in the everyday life of society varies from country to country and over time. This leads to a rather uneasy compromise, of a kind also common in poverty studies: in discussing changes in poverty within particular countries over time, country-specific poverty lines — generally increasing with average income — are used, but for cross-country comparisons a universal line is applied. Upper and lower universal lines are used, set at $275 and $370 per person per year.

The WDR estimates that in 1985 there were 630 million people in the developing world below the lower figure, and 1,115 million — one-third of the population of developing countries — beneath the upper poverty line. The distribution of these people by region is of particular interest. Almost half live in South Asia, mostly in India. Very substantial numbers are in East Asia, particularly China, but represent a much smaller proportion of the population of that region. Sub-Saharan Africa, by contrast, with a population only one-third as large, contains about as many poor people as East Asia.

Who are the poor? They are found overwhelmingly in rural areas, and rely on income from agriculture. They may be self-employed smallholders or casual agricultural labourers, or derive income from both sources. Being in rural areas, access to and use of social services is frequently low, though there are exceptions. The WDR also emphasises the variability in incomes: data for an Indian village over nine years — which would be the envy of many developed countries — show that while 50 per cent of households were poor in any given year, 90 per cent were poor in at least one year and 19 per cent were poor every year.

The WDR has a detailed but somewhat frustrating review of country experience and implications for anti-poverty policy. Some countries appear to have been strikingly successful in reducing poverty over the past twenty-five years — notably Sri Lanka and Costa Rica — but since the data over time are based on country-specific poverty lines, it is difficult to assess how well one country has done compared with another. This also makes the policy implications problematic. It is interesting, though, that the WDR comes out firmly against any simple growth/equity trade-off — reflecting the evidence that some countries (like Sri Lanka) have achieved significant poverty reduction despite relatively low growth, while some rapidly growing ones (like Brazil) have been much less successful.

This leads to a recommended strategy which has two parts: encouraging a pattern of growth which makes efficient use of labour, while investing in the human capital of the poor so they can take advantage of the opportunities provided. The first element involves reducing distortions in product and factor markets introduced by government intervention, with a particular emphasis on moderate taxation of agriculture. This is very much in the spirit of traditional World Bank/IMF reliance on the efficacy of the market. The second element, though, hinges crucially on effective social spending. Here the redirection of health and education spending towards the provision of basic services which benefit the poor — primary education and rural community health care — is seen as the priority. Transfers and safety-nets also have a role, though with greater emphasis on schemes such as rural public employment schemes than on formal social security systems. The need to protect such social spending during structural adjustment programmes, and to design such programmes so as to minimise the effects on the poor, is one of the main themes of the WDR. The influence of UNICEF and *Adjustment with a Human Face* is acknowledged, and this WDR marks a further stage in the acceptance of the arguments presented so powerfully there.

Like previous issues, this WDR also presents the comprehensive World Development Indicators, an array of social and economic data for developing and developed countries.

In analysing poverty, the WDR does not rely entirely on income/consumption-based poverty lines, also making use of data such as infant and child mortality rates and primary school enrolment rates. These are seen as valuable indicators of welfare and how it has been changing over time. The UNDP, in its recently published *Human Development Report 1990* (HDR) — the first in what is to be an annual series — goes a good deal further. It argues that the emphasis on GNP growth in measuring development has been misleading and indeed harmful, and that a much broader measure is needed, encompassing different aspects of people's lives and the opportunities open to them. Development is defined as a process of enlarging people's choices, drawing heavily on the 'capabilities' approach pioneered by Sen.

To begin the process of producing a better summary measure of development, it presents what is termed the Human Development Index (HDI). This comprises three elements : life expectancy at birth, the adult literacy rate, and per capita GNP. For a particular country, the actual level achieved for each is compared with a target level, and the shortfall calculated. The HDI is then essentially an average of these shortfalls, the maximum possible score being 1.

It is particularly interesting to compare countries' ranking by the HDI with those by the conventional GNP per capita measure. Countries such as Sri Lanka, Chile, Costa Rica, Jamaica, Tanzania and Thailand are ranked much more highly by the HDI — many of the same countries noted in the WDR as particularly successful in combating poverty. Countries such as Gabon, Senegal, Cameroon and a number of the oil-rich countries, by contrast, do considerably worse on the HDI than income per capita.

Interestingly, Ireland ranks 17th in the world by the HDI, compared with 25th by per capita GNP, with a score of 0.961. This reflects a very high literacy rate and life expectancy, close to the target levels. Some scepticism may be provoked by the fact that Ireland ranks just above the USA, though, and seeing why leads to more general questions about the construction of the Index. This result is produced because the 'target' level of income in calculating the Index is $4,800, the average of the official poverty lines of nine developed countries. Any country with average income above that level — including both the USA and Ireland — scores zero deprivation on the income element of the HDI. The USA gets no credit for the fact that its income per head is twice Ireland's, and is below Ireland on the overall HDI because of a slightly lower literacy rate (despite its higher life expectancy).

While increasing income over a certain point might be thought to have a declining impact in raising welfare, it is an extreme view which sees it as having no impact. Such a property might be acceptable in a poverty measure, but hardly in one which aims to reflect the 'widening of people's choices and the level of their achieved well-being', and is intended to apply equally to less developed and developed countries. Despite its stated aims the HDI implicitly views 'development' as a discrete state to be attained, rather than a progression. This may provide a means of comparing the currently 'developing' with the 'developed' countries, but does not represent a measure of welfare in any more general sense, in the way that GNP, with all its failings, does.

The HDI takes into account only the average level of income in a country, not its distribution. As the HDR acknowledges, this is a major failing. It means, for instance, that although many people in developed countries, including Ireland, are below the income 'target', the fact that average income is above that level will produce zero income deprivation in the HDI. Another obvious problem is that of aggregation: what is gained by adding such disparate measures as life expectancy, literacy and income? Even if the three components are accepted as key ones, adding them together in a necessarily arbitrary way seems to merely involve loss of valuable information about each. No convincing argument for this is given in the HDR, and it would seem preferable to allow policy-makers and others to, in effect, apply their own weights in assessing achievements in these different areas.

The main theme of the HDR is

that how growth translates or fails to translate into human development is of central importance. It would be a pity if this message is obscured rather than advanced by the attempt to produce a single summary measure to reflect the many dimensions of development.

Like the WDR the HDR includes a valuable statistical section, on 'human development indicators'. Improving the range, coverage and accuracy of these indicators is a major objective, and such improvements will enhance the usefulness of future issues of the HDR.

Brian Nolan

Sub-Saharan Africa

Sub-Saharan Africa: From Crisis to Sustainable Growth — a Long-term Perspective Study,
The World Bank, Washington, D.C., October 1989 (300 pages)

The World Bank's analysis

In its new study the Bank takes a far less triumphal tone than that which characterised the earlier Bank/UNDP report, *Africa's Adjustment and Growth in the 1980's*. Early in the new study it is noted that: 'Responsibility for Africa's economic crisis is shared. Donor agencies and foreign advisers have been heavily involved in past development efforts along with the African governments themselves' (p.2). This recognition that the Bank may share some degree of culpability for the failure of past development strategies is welcome if long overdue. What is of most interest is whether or not this new appreciation of their fallibility incorporates an understanding that Structural Adjustment Programmes (SAPs) may not be the panacea that they were presented as in the Bank/UNDP Report.

On an initial reading it would appear not. The new report contains a number of observations such as the following: 'More than half (of African countries) have embarked on structural adjustment programmes. The countries that have persisted with reforms since the mid-1980s are showing the first signs of improvement. These give grounds for believing that recovery has started' (p.1).

There is also a sense of familiarity about the Bank's analysis of the origins of Africa's crisis. Once again, the role of declining terms of trade in bringing about Sub-Saharan Africa's (SSA's) decline is minimised. Instead, it is argued that:

> ....the low return on investment is the main reason for Africa's recent decline. Africa's investment and operating costs are typically 50 to 100 per cent above those in South Asia — the most comparable region. Weak public sector management has resulted in loss making public enterprises, poor investment choices, costly and unreliable infrastructure, price distortions (especially overvalued exchange rates, administered prices and subsidised credit), and hence inefficient resource allocations (p.3).

In essence this explanation seems to preserve intact the argument that the African crisis may be explained in terms of an over-interventionist state and distortions such as the overvaluation of the exchange rate. However, there are some qualifications to the traditional neo-classical position. For example, the Report notes:

> For exchange rate policy, as for the management of other key prices, the objective should be to avoid major distortions, even when fully market-determined prices are not feasible for economic, social or political reasons. Experience also suggests that when the country starts from a situation of high distortions, the process of adjustment has to be managed carefully with regard to timing, pace, and scope to avoid disruption (p.49).

This is encouraging in as much as it is suggestive that the Bank is moving towards a more nuanced and gradualist approach to adjustment and has finally realised that social and political factors can have a bearing on the feasibility of devaluation.

The Bank has also modified its position on the role of the state. Whilst advocating that Africa 'should not resist' the 'worldwide trend toward privatization' the new study also states: 'State-owned enterprises will still be appropriate in many cases, especially in providing utilities and some public goods. In some cases the private sector lacks the capacity to take over, but in time and with imagination privatisation can work' (p.55).

This is at least indicative of a retreat from the blanket advocacy of privatisation that has hitherto been associated with the Bank. Indeed, the conclusion suggests that African states might consider adopting the Nordic model of the mixed economy 'where the state assumes a leading role in building human resources, administration, and physical infrastructure capacity, whilst the goods-producing and non-infrastructure service sectors are left to the flexibility and incentives of private enterprise and market discipline' (p.186).

However, there are clear limits to the Bank's reformulation of its traditional stance. A commentary on the report by Roy Trivedy for Oxfam[1] notes that although the Bank goes so far as to recognise that it shares responsibility for Africa's economic crisis, it does not follow through the logic of this realisation. Trivedy argues:

> ....if the Bank and other donors are serious about the notion of 'shared responsibility', they could show their commitment by absolving SSA countries from payment of the proportion of interest rates owed to donors for aid funded development projects which are now acknowledged to have failed. This would be in recognition of the fact that donors in many cases actively encouraged lending for unsustainable projects.[2]

Thus, Oxfam suggests that the Bank might consider writing off the interest owed to it in respect of that half of its African rural development projects that it acknowledges as having failed. The Bank's failure to consider such measures is indicative that it is only willing to pay lip service to the idea of shared responsibility.

Similarly, Oxfam points out that 'shared responsibility' does not seem to apply to the social effects of SAPs. The Bank calls for high public spending on education and health, apparently without recognising that the social spending cuts that characterised the 'eighties were largely associated with the SAPs sponsored by the IMF and itself. Furthermore, the Oxfam critique argues that the Bank's 'Report fails to explain how the call for substantially higher expenditure on social spending can be reconciled with the continued general emphasis on cutting public spending'.[3] The Bank does go some way towards explaining this by arguing that African states should increase public savings. This can be done by cutting the public wage bill, 'which currently absorbs as much as 60 per cent of revenues in some countries' and by introducing higher tariffs for utility services and fees for certain social services (p.12). However, these suggestions do not satisfactorily solve the problem of finding the revenue to finance social services whilst maintaining a deflationary stance overall. Previous attempts at public sector retrenchment throughout Africa have entailed raising urban unemployment, as well as enforcing (often quite stringent) wage cuts (this has certainly been the case in Nigeria, Zaire and Ghana), which will almost inevitably lead to higher demands being made on social services. Thus, many of the savings made this way will be eaten up by the need to deliver services to the rising number of unemployed. With regard to user charges, the Oxfam Report comments: 'This may in some cases be appropriate, but in general needs to be carefully scrutinised as it may otherwise undermine the goal of "investing in people". This is especially the case when introduction of user charges is encouraged for basics such as water provision, health and education services'.[4]

In other words user charges could deprive the poorest of access to vital services such as clean water and health care. The Bank is unable to completely evade the contradiction between its aims of raising social spending and reducing public spending as a whole.

It may also be argued that the Bank is rather partial in its calls for democratic reform. The Bank's new study echoes earlier analyses of an unaccountable, neo-patrimonial African state that must be reformed before effective development can take place. The World Bank Report states: 'Ultimately, better governance requires political renewal. This means a concerted attack on corruption from the highest to the lowest levels. This can be done by setting a good example, by strengthening public accountability, by encouraging public debate, and by nurturing a free press' (p.6).

In itself this is unobjectionable, but it is notable that this call for open democratic government does not apply to the Bank itself. Hancock[5] refers to the Bank as 'an institution that has perfected the art of bureaucratic impenetrability', noting that 'documents prepared for the Board of Directors to enable decisions to be taken on whether or not to approve loans are "strictly confidential" and "not officially available beyond restricted distribution" '. Given the Bank's acceptance of its shared responsibility for the failed development policies of the past, it is difficult to see why it does not apply its critique of the policy-making process to itself as well as to the African states.

The Bank's agenda for recovery

On the basis of its analysis of Africa's crisis the Bank delineates an agenda for recovery. It argues that if Africa is to prevent hunger and provide employment for its fast-expanding populace its economies must achieve growth of at least 4-5 per cent a year. The Bank targets agricultural output to expand by 4 per cent annually, a goal that will enable Africa to feed itself and market a surplus. The target growth rate for industry is 5 per cent rising to 7 per cent or 8 per cent. In order to achieve these goals, Africa will have to raise its levels of domestic saving and investment, whilst productivity will have to increase by 1-2 per cent per annum for labour and some 3 per cent for land. These enhanced indices of investment, productivity and growth are to be based on the development of what the Bank describes as 'an enabling environment of infrastructure services and incentives to foster people and institutions alike, from the village to the upper echelons of government and industry'.

The Bank sees the 'enabling environment' as consisting of two factors, these being provision of infrastructure and adoption of the 'correct' economic policies. With regard to infrastructure the Report correctly identifies the current parlous state of Africa's roads, ports and other utilities as one of the chief obstacles to development and recommends that some 5-7 per cent of GDP per annum ought to be spent on expansion and rehabilitation. The Bank suggests that this might be financed through reductions in military spending.

As to economic policy, it is argued that exchange rates must be kept competitive, protectionism eschewed, interest rates kept positive and tight monetary and fiscal policies should be observed. Thus, the main tenets of structural adjustment are preserved within the Bank's agenda.

Some compensation for the Bank's maintenance of its traditional stance may be gained from the assertion that enhancement of capacities will involve grassroots empowerment strategies. For example, the Report notes that women produce some 70 per cent of Africa's staple food and recommends that their productivity could be enhanced by such measures as formalising their rights over land that they work, adapting extension to take account of women's roles and needs and fostering the development of women's groups.

However, the Bank puts a premium on the mobilisation of new technology in order to attain its proposed agricultural output growth rate of 4 per cent a year. It envisages these technologies being produced via the activities of the international agricultural research centres and then disseminated to the farmers by means of the training and visit extension technique. This top-down approach to agricultural development does not sit comfortably with the Bank's supposed commitment to empowerment. It is also difficult to see how the Bank intends to reconcile its proposals for improving the supply of rural credit with structural adjustment, which traditionally entails a credit squeeze.

A similar point can be made with regard to the Bank's proposals for industrialisation, which are premised on mobilising small entrepreneurs in the informal sector. Credit is also supposed to be made available for this sector despite the Bank's continued commitment to deflationary structural adjustment policies. Furthermore, it is dubious in the extreme to argue that the private sector can take sole responsibility for African industrialisation, relying on the state only for infrastructure and provision of a legal framework in which it is free to operate. Sender and Smith[6] are representative of numerous analysts when they assert: 'World Bank analyses of the determinants of success or failure in Sub-Saharan Africa, which suggest that "undistorted" market forces have been a sine qua non of economic success, are incoherent and historically inaccurate, given that state initiatives have been crucial in all accumulation processes, not only throughout post-independence Africa, but also everywhere else.'

Sender and Smith indicate that such state initiatives must not only entail supply of infrastructure, but also action to maintain various macro-economic balances. The state should in other words intervene directly in the market.

Perhaps the element of the Report that will be most welcome to African states is the statement that any reversal of the continent's decline can only be achieved if aid grows at a minimum of 4 per cent a year in real terms to a level of US$22 billion (in 1990 prices) by 2000 (pp.13-14). Indeed, it can clearly be seen that if Africa is to stand any chance of meeting the economic goals and carrying through the political reforms identified in the Bank's new agenda for the 'nineties, the West must enhance its financial commitment to the continent. Unfortunately, this is probably the element of the strategy that is least likely to see implementation. In the same week that this agenda for the 'nineties was published sources close to the Fund and the Bank were reported to be forecasting that the moves towards democratisation in Eastern Europe were likely to be 'catastrophic' for aid to Africa: Western donors and, in particular, the International Finance Corporation (of the World Bank) were likely to divert large portions of their resources into the Comecon states at the expense of Africa.[7]

In conclusion, the Bank has preserved the principle that SAPs should remain at the centre of Africa's development strategy for the 'nineties. This casts some doubt on the Bank's avocation that its new strategy will be 'people-centred'. Although the Bank seems to have modified its blanket hostility to state intervention it wishes to limit such intervention to the provision of infrastructure and services. This is despite a considerable body of evidence to the effect that state intervention in the market has proved essential in all previous instances of development. Finally, the Bank's recommendation that aid be increased is unlikely to be acted on by Western states hoping to carve themselves a piece of the Eastern European market.

Trevor Parfitt

References

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3. Ibid, 4-5.
4. Ibid, 5.
5. G. Hancock, 1989, *The Lords of Poverty : the freewheeling lifestyles, power, prestige and corruption of the multi-billion dollar aid business*, London, Macmillan, 66-7.
6. J. Sender and S. Smith, 1986, *The Development of Capitalism in Africa*, London, Methuen, 124.
7. *Africa Analysis*, 24 November 1989.

Development Directions for the 1990s

Development Co-Operation in the 1990s: Efforts and Policies of the Members of the Development Assistance Committee,

1989 Report by Joseph C. Wheeler (Chairman of the Development Assistance Committee), OECD, Paris, December 1989, (FF 150, 287 pages)

The eighteen member countries of the OECD's Development Assistance Committee (DAC) gave approximately $48 billion in official development assistance (ODA) to developing countries in 1988. This represented an estimated 85 per cent of all world development aid. The DAC is therefore easily the most significant body of aid donors in the world, and the trend of its thinking and practice, as revealed in its annual report, is crucially important for all those concerned with development issues.

DAC practice – an Irish perspective

Starting with DAC practice, ODA from the member countries rose by almost 8 per cent in volume terms in 1988 after a fall of 1 per cent in 1987. Despite this improvement, the average level of DAC ODA as a percentage of GNP was only 0.36 per cent in 1988, barely half the recommended target level of 0.7 per cent. The target level has still only been achieved by Norway, the Netherlands, Denmark and Sweden. Ireland gave only 0.20 per cent of its GNP as ODA in 1988, putting it at the very bottom of the DAC league — the USA (0.21 per cent) and Austria (0.24 per cent) were Ireland's nearest challengers for the unenviable title of meanest donor country.

Irish ODA actually rose by 5.3 per cent in volume terms in 1988 but the report comments that: 'A rise in contributions to IDA (due to timing factors) and to the EEC compensated for a steep fall in bilateral aid and in voluntary contributions to multilateral organisations' (p.165). In other words, the government gave what it had to give but cut back on the donations it had control over. This miserliness stands in stark contrast to the generosity of most Irish people — private voluntary agencies sent 0.10 per cent of Irish GNP to the developing countries in 1986/87, compared to a DAC average of 0.03 per cent; only the Netherlands and Norway came close to matching the Irish performance on this front.

DAC thinking – an agenda for the 1990s

The trend in DAC thinking is also outlined in the 1989 report. During most of 1989 the DAC spent considerable time reviewing priorities for development co-operation in the 1990s. This review culminated in a meeting of the Development Co-operation Ministers of the DAC members, together with the heads of the World Bank, the UNDP and the IMF, in December 1989: this meeting produced a policy statement which, in many ways, sets the agenda for development co-operation in the 1990s.

The core of this policy statement, reproduced at the front of the 1989 Report, concerns the establishment of three principal development objectives: economic growth, increased popular participation in development, and environmental sustainability. The statement is quite optimistic about the achievement of these objectives (which will be discussed in turn below):

> With the improvement in world economic conditions, a better East-West political climate, progress in the solution of a number of regional conflicts (with a hope also

of a reduction in heavy military expenditure burdens), a development towards more open and democratic societies and more effective policies across a range of developing countries, there may be opportunities for more progress in the 1990s than there was in the 1980s.

The statement is unambiguous on what it means by 'more effective policies'. People, it is claimed, now recognise the 'need for properly functioning markets and appropriate prices and incentives, for sound fiscal and monetary policies and for structural adjustment on a continuing basis'. It is through this more widespread acceptance of the free market/liberalisation paradigm, involving 'greater scope for private enterprise', that the objective of *economic growth* is to be achieved. The statement concedes that liberalising reforms should be implemented at a realistic pace and that the most vulnerable groups should be at least partially protected in the process.

It is not surprising that liberalisation should be seen as the primary means to economic growth. It is rather more surprising that the objective of increasing people's *participation in development* is also viewed, in large part, as best achieved through an extension of the free market: 'We will seek opportunities to work with developing countries towards promoting conditions for a dynamic productive sector, strengthening the role of individual initiative, private enterprise and the market system, and more generally, drawing the whole population into the active life of their countries.'

Participation is here seen as participation in the free market, conjuring up images from economics textbooks of the market as the perfect democracy wherein everybody votes all the time. The most obvious problem with this thesis — that some, i.e. those with most resources, get to vote a lot more often than others — is glossed over in the report. Basing people's participation in, and control over, development on the extension of the free market institutionalises inequality. The unstated belief is that people should be allowed, and be able to, participate in development — hence the stress the statement also places on the need to provide education, health care, guarantees of human rights, etc. But people are not seen as having rights to *equal* participation in development. Possible conflicts between the dictates of the market and other forms of participation (such as through local organisations, which the statement also lauds) are not addressed.

Whatever philosophical reservations one might have about the statement's chosen route to increased participation, its practical recommendations on how aid could be used to boost participation in development are admirable: users of aid should be associated with the design and implementation of aid projects; local co-operatives and NGOs should be promoted; and help should be extended to strengthen legal systems and democratic institutions of government.

On the issues of *environmental sustainability*, the statement implicitly rejects the notion that economic growth must be sacrificed for the sake of the environment. Instead, it is argued that economic growth is necessary to *save* the environment: 'poverty is both a cause and result of environmental degradation. The imperative of protecting the environmental resource base... is thus in itself a compelling reason for economic and social development'. The statement recommends that aid be used to help developing countries identify and manage environmental problems at both policy and project level. It is also suggested that where environmental considerations lead to higher project costs than would otherwise be the case, then aid donors should be prepared to contribute towards those costs.

The discussion of sustainable development includes references to population control: 'There is an imperative need to slow population growth in those many countries where it is too high to permit sustainable development'. The implication is that aid donors should support family planning projects and policies. It is not at all clear why the statement chose to focus on population growth under the general heading of environmental sustainability — population growth *may* be a threat to the environment in certain areas (though the problem is more usually poverty than population size *per se*), but there are many other threats to the environment, including many originating in the industrialised countries which go unmentioned.

The statement does go on to mention the responsibilities of developed countries in relation to trading issues:

> The OECD countries accept that their international responsibilities require on their own part effective domestic and external adjustment and a strong political commitment to international economic co-operation, including the effort, through the Uruguay Round of trade negotiations, to strengthen the open, multilateral world trading system for the benefit of all countries.

The statement also pledges to promote continued international co-operation on the issue of Third World debt. Whether this sense of international responsibility will have much effect when it comes, for example, to negotiating the end of restrictions on developing countries' exports of textiles and clothing is quite another matter.

The statement concludes by saying that the ministers and agency heads involved will instruct their staff to review their policies and practices in the light of the statement. As mentioned, some of the suggestions are fairly positive and would be welcome if translated into practical action. However, the constant repetition of the need for market liberalisation, as the route both to economic growth and to broader participation in the development process, raises serious questions about the direction in which thinking about development is going in the 1990s.

The State of the World's Children 1990,

James P. Grant, Executive Director of the United Nations Children's Fund (UNICEF), Oxford, Oxford University Press, 1990 (Stg £3.50, 102 pages)

This annual UNICEF review makes, as usual, for fairly depressing reading: 'It is the greatest condemnation of our times that more than a quarter of a million small children should still be dying *every week* of easily preventable illness and malnutrition' (p.4). For example, diarrhoeal dehydration, which could be prevented at almost no cost, kills 7,000 children every day. Even more outrageous is that fact that the situation is getting worse for many people: 'In many countries poverty, child malnutrition, and ill health are advancing again after decades of steady retreat' (p.1).

Chapter 1 of this report catalogues this crisis and discusses some broad policy responses to it, including the *Convention on the Rights of the Child* recently brought before the UN General Assembly. This Convention sets out minimal standards for children in areas such as health and education, and also outlines the principle that 'the lives and the normal development of children should have *first call* on society's concerns and capacities' (p.7).

The UNICEF report places great hopes on this 'principle of first call': 'The important point about the "principle of first call for children" is that those children should be able to depend on that commitment at all times and in all circumstances' (p.8). Thus, civil wars, debt crises and other such events would not be allowed affect the welfare of children.

In practice, of course, the 'structural adjustments' of recent years have not observed any first call for children — standards of health, education and other services have been 'sacrificed on the altar of debt repayments and adjustment programmes' (p.12). Previous UNICEF calls for 'adjustment with a human face' (which would have incorporated, among other things, a commitment to safeguard children's interests under adjustment) were rarely heeded.

The report also points out that children are often not given 'first call' in many *growing* Third World countries, or indeed in some developed countries — 40 per cent of New York children are estimated to live below the poverty line (p.12). The *World Summit for Children* will thus have relevance outside of the poorest countries of the world.

Chapter 2 of the report sets out what it sees as the main practical opportunities for improving the life-span, health and nutrition of children. The potential benefits of such modest proposals as increased immunisation programmes and improved targeting of food subsidies are spelt out. The report makes the point that substantial progress of this sort was made even in the otherwise disappointing decade of the 1980s: for example, oral rehydration therapy (ORT) is now being used by one in every three families in the Third World compared to hardly any a decade ago, with the result that an estimated one million lives are now being saved each year.

Chapter 3 examines the logistics of ensuring access for all to primary health care and primary education. Chapter 4 focuses on the role of the developed world, particularly in terms of aid programmes. Finally, an impressively presented statistical section provides a wealth of cross-country information on life expectancy, infant mortality, nutrition, health, education, status of women and other economic and social indicators.

One particular note which the report strikes is especially worthy of emphasis at the present time, in the context of the worldwide drift towards free market 'solutions' to all problems. Referring to the poverty of children in supposedly more developed societies, the report comments: 'As the problems facing the children of today's free market economies clearly show, the marketplace can be a brutal place for those who lack the purchasing power to make it serve their needs' (p.13). More specifically:

> Many of the most basic human needs...are unlikely to be met by the undirected play of market forces. The unrestricted law of the market-place is already failing those families, throughout the poor world, who are spending $500 million each year on ineffective anti-diarrhoeal drugs in response to child illnesses which could be prevented and treated by low-cost methods out of which there is very little profit to be made. The unrestricted law of the market-place is failing those millions of mothers who are being persuaded to risk their children's lives and health by changing from low-cost breast milk to high-cost artificial substitutes in the induced belief that bottle feeding is more modern or more fashionable. And the unrestricted law of the market-place is also failing those families who are spending 5-10 per cent of their incomes on water in slums and shanties when clean, safe water could be provided from public stand-pipes at a fraction of the cost (p.67).

Such realism about the limitations of market liberalisation is a welcome antidote to the growing clamour for market-based reform as a supposed panacea for all the world's ills. Unfortunately, such realism is unlikely to be as influential as the chorus of calls for simple, market-based remedies.

World Military and Social Expenditures 1989,
Ruth Ledger Sivard, 13th Edition, World Priorities, Washington, 1989, (US$6.50, 60 pages)

This annual report aims to 'provide an annual accounting of the use of world resources for social and for military purposes, and an objective basis for assessing relative priorities.... It is hoped that this will help focus attention on the competition for resources between two kinds of priorities' (p.4). The 13th edition focuses on the state of world health and, in particular, on the stark contrast between the level of resources devoted to health and the amount spent on armaments.

This type of project is certainly worthwhile and produces a wealth of interesting facts, such as that 'six times as much public research money goes for research on weapons as for research on health protection' (p.5). However, there are enormous problems in moving beyond comparisons of this sort and attempting to establish paths of causation — are large military expenditures a *cause* of social deprivation, or are both caused by underlying problems of political power structures?

The pitfalls of going from correlation to causation are well illustrated by the report's discussion of development aid: 'In competition with military priorities, the flow of development aid from the richer to poorer remained well below the target level (0.75 per cent of their GNP) originally set by the traditional donors' (p.21). As the report points out, only four countries — Denmark, the Netherlands, Norway and Sweden — have fulfilled the aid pledge (which is actually 0.70 per cent rather than 0.75 per cent). What the report does not emphasise is that Denmark spends 2.1 per cent of its GNP on military resources, and the comparable figures for the Netherlands, Norway and Sweden are

3.1 per cent, 3.2 per cent and 2.9 per cent respectively. Ireland, which currently has one of the worst records on development aid in the OECD, spends relatively less on the military — 1.9 per cent of GNP — than any of these countries. Austria, another miserly aid donor, devotes even fewer resources to the military than Ireland. The volume of development aid is more dependent on a country's political culture than its attention (or lack of it) to armaments.

A reluctance to analyse political issues permeates this report. The simple (and often simplistic) concentration on military expenditures (rather than on what causes them) leads the report to applaud all reductions in such expenditure. Thus, the withdrawal of Vietnamese troops from Cambodia is hailed in the same way as the withdrawal of the Soviet army from Afghanistan (p.13). It could equally well be argued that this reduction in military activity by the Vietnamese could have been damaging to social development if, say, it had assisted the resurgence of the Khmer Rouge. A more useful analysis might distinguish between types of conflicts and their causes, and would acknowledge that certain military activities *promote* social progress — the involvement of Zimbabwean troops in Mozambique, for example. (This analysis could be rejected by a strictly pacifist approach, but the report does not adopt such an approach.)

The obsession with the figures rather than the politics of the military also leads the report to be excessively sanguine about the implications for developing countries of the superpower rapprochement. The government of Cambodia, stripped of Soviet and East European aid, might be less enthusiastic about Soviet 'new thinking' than is this report. Similarly, many developing country movements for social change fear that one consequence of the new developments will be to allow the US government a freer hand in its so-called spheres of influence. There are, of course, also opportunities here — for example, will the absence of the traditional 'red scare' mean that the US government will have a tougher time legitimising overseas interventions? The problem with this report is that it does not even refer to these questions, preferring instead to assume that any reduction in tension between the superpowers must *per se* be a Good Thing for everybody.

As mentioned at the outset, there is certainly some value in the sort of juxtaposition of figures typified by the following: 'Progress on disarmament could pay huge dividends. For example, a mere 5 per cent reduction in current military outlays of $1 trillion a year, if allocated instead to health care, could double public expenditures for the health care of 4 billion people in the Third World, providing enough resources to immunise every baby and to bring fresh water and basic sanitation within 10 years to every village' (p.8). But to translate such statements into political action will require a willingness to confront political reality which this report lacks.

1992 — European Wealth, Third World Poverty?,

A report prepared by Ed Mayo,
European Community Officer, World Development Movement,
Commissioned by Alan Donnelly,
MEP Tyne and Wear, 1990 (23 pages)

The possible effects on the developing world of 1992 and the process of European integration are receiving increasing attention, though it remains an under-researched area by comparison with the impact of 1992 on the *internal* EC economy. This report, which follows on from earlier work by the World Development Movement, attempts to redress some of the imbalance.

The Foreword by Anne Clwyd MP, shadow British Minister for Overseas Development and Cooperation, comments that 'while 1992 creates opportunities it also poses new risks, particularly to the poorest countries' (p.3). The emphasis of the report is very firmly on the risks rather than the opportunities.

The most obvious risk stems from the erosion of traditional trade preferences enjoyed by certain African, Caribbean and Pacific (ACP) countries. Bananas are the best known example in this regard. At the moment Britain, France and Italy allow relatively expensive ACP bananas protected access to their markets; after 1992, in the context of unrestricted intra-EC trade, they may have to open their markets to cheaper Latin American ('dollar') bananas which have already more or less taken over other EC markets. The report suggests that exploitative working conditions contribute to the cost advantage of the 'dollar' bananas. The consequences for workers in places such as the Windward Islands which have traditionally supplied bananas to certain EC countries could be disastrous.

Another perceived risk for poor countries is 1992-related changes in environmental, consumer and safety standards. Certain Third World exporters to the EC may have difficulty conforming to new, tighter regulations on product safety, hygiene, etc. Ethiopian exports of meat and Mozambiquan exports of prawns (which account for 40 per cent of that country's export revenue) are mentioned as possibly vulnerable in this regard. The report sensibly advocates the provision of greater information to these countries to allow them to keep abreast of developments. Aid to help them conform to new standards may also be required.

On a related topic, the report points to the danger that some EC producers may seek to avoid tighter EC regulations by shifting certain production processes and/or products to the Third World; the precedent of drugs banned in the EC being marketed in developing countries is mentioned. Similarly, any increase in employment protection and standards within the EC may prompt firms to go in search of a less restrictive labour regime elsewhere. The report does not observe that some commentators might see an increase in EC investment in Third World countries for these reasons as a positive development.

The report accepts that higher EC incomes will boost demand for Third World products, but argues that this will mainly be demand for *primary* products. As intra-EC trade becomes more competitive, it will become more difficult for Third World producers to diversify into processed goods, according to the report:

> The poorest countries are trying to diversify out of raw commodities into processed goods. The single market will increase demand for raw goods but at the same time, through the

> process of trade diversion and open competition, make it more difficult for them to compete in the areas they want to diversify into. With, additionally, higher technical standards for consumer and environment protection raising the start-up costs of diversification, 1992 is likely to make diversification for commodity-dependent economies more difficult (p.17).

What gains there are will, it is argued, be unevenly distributed — exporters from relatively advanced developing countries such as South Korea and Taiwan will monopolise most of the benefits, partly due to their superior marketing expertise and distribution channels. This is a valid observation, though it ignores the fact that it is precisely these countries which will be the principal targets of any upsurge in EC-wide protectionism after 1992.

An irritating aspect of this report is its constant 'case-making' approach — for example, factors likely to lead to reduced demand for Third World primary exports are decried, but factors likely to boost such demand are said to be reinforcing of primary product dependency. The report would have benefited from a less determined attempt to focus on the 'downside' scenario at every available opportunity. However, the discussion of aid is an exception to this approach: while the possible diversion of aid to Eastern Europe is referred to early in the report, it goes on to mention the possible benefits of 'untying' EC aid, i.e. no longer making it conditional on the purchase of goods from the donor country: 'a liberalisation of aid procurement so that all member states' bilateral aid was open to competition from other member states would yield benefits of around $1.6 billion' (p.19). A greater concentration on the opportunities of this sort, while at the same time pointing out legitimate areas of concern arising from 1992, would have made the report more balanced and probably more effective as a lobbying document.

Aid — Ireland and the EC

Aid to Third World Countries: Attitudes of a National Sample of Irish People,
Dublin, Advisory Council on Development Co-operation, May 1990 (32 pages)

This survey of Irish attitudes towards Third World aid, carried out in 1989, is the third in a series undertaken by the Advisory Council on Development Co-operation (ACDC). As in previous surveys, people were asked about their commitment to the Third World, their perceptions of the causes of Third World poverty and their views on the most appropriate forms of assistance Ireland could give to the Third World. The sample was also asked for reaction to the government's cut-backs in development aid. The analysis of the survey results was carried out by Dr Tony Fahey, who presents the findings in a highly readable style as well as offering several interesting interpretations of them.

In terms of personal commitment to the Third World, 'the survey responses show a continuing very high level of goodwill towards the Third World, as expressed by favourable attitudes to helping Third World countries and by personal demonstrations of commitment such as giving donations to Third World organisations' (p.12). Eighty-nine per cent of the sample were in favour of helping third World countries, and 58 per cent were strongly in favour; only 3 per cent were not in favour of helping the Third World.

Over the previous two years, 89 per cent of the sample had actually done something practical to help the Third World: 92 per cent of these had given money, 3 per cent had helped organise fund-raising, and 9 per cent had carried out some other activity for a Third World organisation — this last figure had, interestingly, risen from 3 per cent in 1985.

When the sample was asked why they thought the Third World was poor, three main factors — poor climate, bad or corrupt government and lack of education/training — were cited. Each of these factors was mentioned, unprompted, by over one third of the sample. By contrast, 'national macro-level structural, political and/or economic causes, arising from actions of richer countries and the international economic environment are scarcely identified at all as causes of Third World poverty' (pp.14-15). The report justifiably concludes that Irish people's view of Third World poverty relies excessively on stock images of problems internal to the countries themselves — floods/droughts, corruption, ignorance, etc. This finding accords with the results of European-wide surveys in 1983 and 1987, which found that Irish people had a relatively low awareness of Third World problems.

When asked how they thought Ireland could best help Third World countries, the sample tended to endorse solutions such as sending out skilled Irish people to train and educate people in the Third World, supporting self-help programmes within the Third World, and training people from the Third World in Ireland. Forms of assistance related to international trade practices (e.g. buying more Third World products), or supporting groups seeking political change in Third World countries, were thought helpful by significantly smaller proportions of the sample — this reinforces the impression that the causes of Third World poverty are not, in general, linked by Irish people to broad political and macroeconomic factors.

Despite their personal commitment to the relief of Third World poverty, Irish people were not strikingly outraged by recent cut-backs in government development aid: 44 per cent of the sample disagreed with the cuts, 33 per cent agreed with them, and 22 per cent had no opinion. Whereas only 3 per cent of the sample had expressed opposition to helping the Third World at a personal level, one third of the sample actually agreed with the government's policy on this front. How can this apparent paradox be explained? Two possible answers are mentioned at different stages of the report.

The first possible explanation is related to the fact that government action is probably considered most appropriate to tackling the broad structural causes of Third World poverty, causes which were considered relatively unimportant by the sample. Therefore the need for government action may also be perceived as relatively unimportant. A second (and not wholly separate) possible explanation is that 'Irish people have a concern for what they do themselves (by way of personal donations to Third World charities, for example) but [this] does not imply an equal concern for what the government does....[A] sense of private obligation in this area cannot be taken to imply an equal sense of public obligation' (p.21). There is a distinction made, Dr Fahey suggests, between a sense of optional private virtue and one of collective responsibility.

In its conclusions the ACDC comments that 'people have been, and continue to be, highly supportive of Third World aid, yet any questions addressing knowledge of Third World problems, and consequent solutions, continue to produce relatively uninformed answers' (p.9). When combined with Irish people's tendency to 'privatise' in their attitudes to Third World aid, these conclusions present a considerable challenge to those involved in development education and to those lobbying on the issue of government aid cut-backs.

Real Aid: What Europe Can Do, The Independent Group on British Aid (IGBA), IGBA, London, 1989 (Stg£2.95, 79 pages)

The IGBA, a grouping of independent aid and development 'experts', has been campaigning for seven years for 'real aid' i.e., aid which has an immediate impact on the welfare of poor people. This, its fifth report, focuses on EC aid; it is written primarily for a British reader, but everyone interested in aid issues will find something of value in it.

As with previous IGBA reports, the style is hard-hitting and no punches are pulled — the very first page refers to the 'complex, inconsistent and ramshackle political processes that constitute European decision-making' (p.1). Conclusions of this sort are based not on knee-jerk prejudices but rather on closely argued analysis.

Three elements are identified in the overall picture of EC aid — one such element is exciting, another disappointing, and a third worrying. The exciting element is 'the original vision of a new quality of relationship between the EC and its associates in the developing world' (p.1): the Lomé Convention was intended to be a new way of organising trade and aid relationships within a 'partnership of equals'. Two main innovations of Lomé — the STABEX scheme to help poor countries stabilise their export earnings, and the removal of the reciprocity requirements from the EC's trade preference-giving — reflected a new acceptance on the part of a major aid donor of the inter-relationships between aid and trade issues.

The disappointing element is that 'the relationship has too quickly and too often collapsed back into the old channels of dominance and dependence' (p.1). The actual workings of, for example, STABEX have been very unsatisfactory: 'barely 13 per cent of the least developed ACP [countries'] commodity earnings instability is actually covered by STABEX transfers in an average year.... richer countries like Senegal and Côte d'Ivoire cream off most of the benefits' (p.35).

The worrying element is 'the way the EC has allowed its relations with the developing world to become dominated by its own political obsessions' (p.2). This is reflected in the relative neglect of the Asian poor, the use of EC funds to reinforce IMF orthodoxy, and the 'use of food aid as a channel down which may be flushed some of the more embarrassing absurdities of the Common Agricultural Policy' (p.2).

After the overview/introduction to the report, Chapter 2 examines eight main themes in the European aid system. These range from the unbalanced country allocations (ACP states receive most aid but account for only 12 per cent of the population of the 'Third World') to understaffing in key areas and a lack of public accountability. Identification of these problem areas leads the authors to conclude as follows: 'We firmly believe that our analysis justifies the call for wholesale reform' (p.14).

Chapter 3 examincs the EC's 'orthodox' aid programme, which principally consists of the European Development Fund (EDF) and STABEX. One striking fact drawn attention to is that between 1976 and 1985, EC *per capita* transfers to ACP states fell by 40 per cent in real terms and that the decline has probably worscned since then. Despite plans to stimulate ACP industrialisation through aid provisions and trade concessions, 95 per ccnt of ACP exports to the EC are still of primary goods.

Regarding the EDF in particular, the report praises its prioritisation of agriculture, rural development and food security. 'Nevertheless, the EDF has continucd to use too high a proportion of its budget on capital-intcnsive prestige projects and has not committed itself to targeting its projects on low—income groups' (p.24). The example of aid to thc energy sector, with its concentration on capital-intensive electricity projects, is cited here. Improved project implementation procedures are considered necessary if the poor are to be successfully targeted and if previous 'horror stories' (such as a road in the Congo which cost the same per kilometre to build as a motorway in downtown Tokyo would have done) are not to be repeated. The fact that the evaluation office of the relevant EC directorate has a staff of two and a budget of only 2 million Ecu per annum is pointed to as an area in need of reform.

STABEX, as mentioned above, has been something of a disappointment in terms of the level and distribution of resources. However, the report argues that it could still be a useful facility if reformed, and the idea that STABEX support should be conditional on a country's acceptance of IMF-style policy orthodoxy is rejected.

Chapter 4 examincs EC food aid and identifies 'chronic weaknesscs: over-reliance on expensive dairy products, idiosyncratic country allocations, poor programming and a ludicrously low level of staffing' (p.41). Concern is also expresscd about the fact that food aid accounts for one third of all EC aid, compared to a 10 per cent average for the OECD aid donors generally. These problems overshadow more positive aspects, such as that the statcd objcctives of the programme are generally laudable e.g., free food distribution must be targeted on vulnerable groups.

A case is made in the report for cereal food aid, but 'dairy aid is much more difficult to defend. It is of limited use in emergencies and does not provide serious balance of payments support since most poor countries cannot afford to import milk' (p.55). Furthermore: 'If the 233 million Ecu earmarked for dairy aid in the 1986 budget had been released instead for cereals, an additional 1.5 million tons of cereal aid could have been sent to the poorest countries, more than doubling the amount actually provided' (p.55).

The usefulness to non-ACP states of their being allowed to avail of this form of EC aid (60 per cent of food aid expenditure is devoted to non-ACP states) is reduced by the disproportionate allocation of dairy aid to these states — India is a particularly large recipient of milk powder and butter oil. Other issues of country allocation are also controversial: Egypt has been among the top three food aid recipients every year since 1983; other middle-income countries — such as Tunisia, Morocco, Peru and Mauritius — have also received significant amounts of food aid. It is difficult to understand why Uruguay, a net food exporter, should receive EC aid in the form of food.

Staffing of the food aid programme in both Brussels and in the recipient countries is, according to the report, completely inadequate compared to the practices of other food aid donors. There is also a lack of real accountability — the annual report on food aid is incomplete and outdated, evaluation is minimal, and the European Parliament has little or no review input.

Chapter 5 presents the results of a survey of contractors/consultants who have done business for the EC Commission in the development area. These 'experts' rated the EC worse than average on issues like availability of information, and project design: 'When the EC is compared with other aid agencies, large and small, bilateral and multilateral, the experts who actually implement aid policies are clear: the EC is below average and not doing a proper job' (p.70). But this begs the question — not doing a proper job from whose point of view? The Third World poor or the experts themselves? The report seems to pay insufficient attention to the likelihood that the experts' proposals for reform will inevitably be coloured by self-interest. For this reason this chapter emerges as the weakest in an otherwise excellent report.

Chapter 6 outlines a set of sensible policy recommendations under three headings: (1) targeting the poor — 'We recommend specially that the EC improve its record on reaching the poor by increasing the share of aid to Asia and devoting at least 50 per cent of aid disbursements to projects which directly increase the welfare and productivity of the poorest people' (p.77); (2) generally improving management (the Commission is labelled a centralised and often inefficient bureaucracy); and (3) increasing public accountability.

The issue of public accountability appears particularly urgent. Information on EC aid is 'scattered around different parts of the Commission, usually out of date and often very uninformative' (p.13); and the Parliament has only limited control — 'most decisions are made by committees of civil servants meeting behind closed doors in Brussels' (p.14). Thus, the public has little opportunity to influence the course of policy. There is a need, the report states, for 'urgent action to open the window on EC aid' (p.14). Specific actions urged are the publication of a comprehensive annual report, independent evaluations, and a greater role for recipient countries in policy formulation and project design. Without greater 'democratisation' of the EC along these lines, the scope for lobbying to make the other necessary changes will be extremely limited.