

# Recent Reports

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*The end of the Cold War and the transformation of Eastern Europe have reinforced a variety of recent directions in development thinking. Foremost among these is the emphasis on 'democracy', often equated with free markets and free trade. What are the implications of this direction for developing countries? And how does poverty alleviation fit into the dominant agenda for development in the 1990s? These and other questions are raised by Andy Storey in the following review of four major reports.*

## **World Development Report 1991**

The World Bank, Oxford University Press, Washington, D.C., 1991 (290 pages)

The 1991 *World Development Report* (WDR) sets itself an ambitious target: it 'synthesises and interprets the lessons of more than forty years of development experience' (p.iii). And what emerges from this work of synthesis and interpretation? 'The Report describes a market-friendly approach in which governments allow markets to function well, and in which governments concentrate their interventions on areas in which markets prove inadequate (p.iii).'

This earth-shattering piece of orthodox thought (familiar to first year students of neoclassical economics) seems like a fairly puny end-product for such a far-reaching work of enquiry. The roles to be filled by governments are as follows:

- investment in people (education, health, etc.);
- creating a 'climate for enterprise' by establishing appropriate infrastructure, guaranteeing property

rights, and other measures;

- creating a 'stable' macroeconomic environment i.e., keeping budget deficits under control, etc.

Any more active role for the state in promoting development is viewed with suspicion and hostility.

The Bank contrasts its views with the prevailing orthodoxies of earlier eras: 'the early faith in the ability of the state to direct development has given way to a greater reliance on markets. Inward-oriented strategies are more and more being replaced by outward-oriented ones' (p.31). In fact, this sentence illustrates the central problem at the heart of the Bank's analysis: there is indeed strong evidence that export-oriented development strategies are more effective than those directed at the domestic market, but the promotion of exports need not necessarily involve 'reliance on markets' or a full-blooded commitment to free trade. The models the Bank cites as the most successful – Japan and the East Asian economies, especially Korea – used extensive state intervention (including protectionism) to support their

export-led industrialisation efforts. We are told that 'East Asia embraced trade with enthusiasm' (p. 17) but we are not told that exports were embraced more readily than imports, nor of the critical state role in determining the terms on which that embrace took place. Much of the same arguments could be made concerning the currently 'developed' economies during their periods of industrial take-off. (The redundancy of the free trade argument in explaining successful industrialisation is well covered in *Industry and Economic Development* by Eoin O'Malley, Gill and Macmillan, 1989).

As the Bank argues, integration with the world economy can stimulate economic progress; but the argument that this integration must necessarily be associated with minimising the role of the state is an ideological one, lacking empirical support. This does not stop the WDR from leaping upon whatever items of selective evidence it feels might justify its position, often with apparent desperation. For example: 'In Japan and Korea, subsidies and protection were strictly tied to achieving export success within a defined period. Companies which did not perform well were allowed to fold' (p.101). If this is supposed to be an argument for liberalisation, it is a curious one – the most important implication is that subsidies and protection, sensibly administered by the state, can be highly effective; yet this is precisely the kind of intervention that the WDR encourages developing countries to avoid.

In similar vein, Taiwan 'opened up early, initiating new policies in 1958-59 that reversed the import-substitution strategy [and] reoriented the economy to the world market' (p.39). This is true, but the reorientation to the world market did not entail acceptance of free trade, and the emphasis on exports was fuelled by state guidance and support. In fact, at this stage of the WDR, the Bank *almost* faces up to the contradictions in its position: 'These East Asian economies . . . raise important questions about the proper roles of state and market . . . Japan and Korea followed policies of protection for infant industries and of credit subsidies. Why, in these cases, did interventionist policies succeed when they so often failed elsewhere?' (p.39)

The acceptance here that interventionist policies can be associated with 'success' is progress of a sort. These 'governments were careful to offset the bias against exports that is usually a feature of trade protection. Their trade regimes . . . remained highly outward-oriented' (p.39). Having effectively acknowledged that free trade and export-orientation are not the same thing, the WDR does not follow up this insight by looking at the lessons to be learned from the East Asian experience concerning state intervention and economic progress. Instead, there is a vague reference to these governments not having avoided 'the discipline of market forces' (p.39) even though they quite clearly did not rely on markets in the way the WDR recommends as a

model for other developing countries. The problems posed by reality for the ideological programme are quickly glossed over and rarely referred to in the rest of the report.

The tone of the WDR becomes much more confident when it asserts that 'the key to rapid development is the entrepreneur. Governments need to serve enterprise, large and small, not supplant it' (p.70). This banality is followed by a series of case-studies of successful entrepreneurial activity – a Ghanaian nurse turned businesswoman, the Patel car radiator company in Tanzania, etc – under the heading 'Entrepreneurs unleashed'. One can only speculate what the Bank's reaction would be if proponents of an alternative view used selective, anecdotal evidence in this way. The Bank claims to supplement its examples with analysis, but this analysis merely examines the barriers to entrepreneurship – there is no discussion of whether 'unleashing' this type of activity can solve the problem of underdevelopment at a national or global level.

The WDR concludes by claiming that 'there is more agreement today than at any time in recent history about what needs to be done and how to do it' (p.157). Perhaps, but at an earlier stage of the Report, the authors comment that 'Ideas that were once the conventional wisdom . . . have now largely been set aside' (p.49). It is quite conceivable that the arrogant, inadequate and distortionary ideas of the WDR will also run their historical course.

### **Development Co-Operation: Efforts and Policies of the Members of the Development Assistance Committee**

1990 Report by Joseph C. Wheeler (Chairman of the Development Assistance Committee), OECD, Paris, December 1990, (FF 150, 272 pages).

It is probably the case that the majority of readers of the OECD DAC report skip over the bulk of the text and concentrate on the statistical tables at the end. Many Irish readers, in particular, are concerned with how Ireland ranks in the Official Development Assistance (ODA) league. As the following table derived from the report indicates, the answer is that we rank very badly:

#### **ODA Performance of OECD Development Assistance Committee (DAC), 1989**

	\$M	% GNP
Australia	1,020	0.38
Austria	283	0.23
Belgium	703	0.46
Canada	2,320	0.44
Denmark	937	0.94
Finland	706	0.63
France	5,162	0.54
Germany	4,949	0.41
Ireland	49	0.17
Italy	3,613	0.42
Japan	8,949	0.32
Netherlands	2,094	0.94
New Zealand	87	0.22
Norway	917	1.04
Sweden	1,799	0.97
Switzerland	558	0.30
United Kingdom	2,587	0.31
United States	7,659	0.15
DAC Average		0.33

But it would be unfortunate if these figures, regrettable though they obviously are from a national point of view, were to be all that readers took from the report. For the main text offers a fine insight into the thinking of those framing the 1990s global development agenda. The following extraordinary sentence encapsulates much of the thinking in the 1990 DAC report:

The catalyst which crystallised the current widespread discussion of democracy and development was the demand of the people in Central and Eastern Europe for multi-party systems of government and market economies. Beyond Europe, similar forces have emerged in as diverse countries as Mongolia and Nepal, Mozambique and Benin, Haiti and Nicaragua. (p.11)

The suggestion here, for example, is that it was the demand of the people of Nicaragua for multi-party democracy and free markets which swept the Sandanistas from power. Murderous US government pressure had, it would appear, nothing to do with it. By implication also, the leaders of RENAMO in Mozambique were not South African mercenaries but instead the moral equivalents of Vaclav Havel (or perhaps both?).

It is not surprising that the DAC Report should applaud the rising tide of parliamentary democracy and the freedom of the market. But the number of unasked (never mind unanswered) questions is striking. Does it matter if market freedoms

must be introduced by the subversion of parliamentary democracy (as in Nicaragua)? What are the implications for democracy of market reforms being introduced by economic pressure from the IMF? What does it say about the democratic desires of the 'new world order' that its most lauded achievement to date has been the restoration of a feudal monarchy in the Middle East?

Instead of serious questioning, what we get are glib comments about the growth in 'democratic practice' (p. 11). Remarkably, the evidence for this claim includes the attempted destruction of two worthwhile experiments in actually existing democratic practice – Nicaragua and Mozambique. The Report assures us that 'there will be a political demand for better and more equal provision of education... Demands for wider coverage of basic health services will increase' (p.12). But there is no mention of cut-backs in health and education services in the 1980s, often at the (at least indirect) behest of Western financial institutions in order to ensure that debt was repaid. Aid donors, we are assured, will be less tolerant of 'bad economic decision-making' (p.12) – will the starving of populations in order to service debt be counted as a bad decision?

The absence of honest questioning of the 1990s development agenda is striking, and, ultimately, the stream of fatuous sloganising threatens to have a numbing effect on the reader. A Report which slams the simplistic premises of 'socialist' development models blithely asserts that the

motives of the Western powers (in their unending pursuit of free elections and free markets) are and always have been noble.

With the end of the Cold War donors are inevitably re-thinking foreign policy. They recall the principles which governed post-World War II behaviour. During this period Western leaders embarked on a constructive effort to encourage multilateralism and democratic process. The Marshall Plan and the early initiatives toward new European structures were outstanding examples; the general agreement to end colonialism was another. But the Cold War quickly became the dominating reality which required our resources and attention. It slowed, but fortunately did not stop, the constructive process under way. (p.13)

Where does one begin to disentangle this web of lies and omissions? How did the French campaign in Algeria encourage 'democratic process'? Or that of the British in Palestine and Kenya? Did not the resistance of the colonised to violent repression contribute as much to the end of colonialism as the supposed enlightened benevolence of the coloniser? Did the US protection of fruit company interests in Central America reflect one of 'the principles which governed... behaviour' that this Report has in mind? Did the Cold War simply become a 'dominating reality', or did not the West actively participate in its creation? Was

the 'constructive process' which remained under way during the Cold War era well represented by the blanket bombing of Vietnam and Cambodia and the shoring-up of military terror in Latin America? This is not an idle historical debate: the past is being rewritten, essentially airbrushed, in order to legitimise the 'new world order' (which suspiciously resembles the old one, not least in its remote acquaintance with truth).

### **Human Development Report 1991**

United Nations Development Programme (UNDP), Oxford University Press, New York, 1991 (202 pages).

This is the second *Human Development Report*, and it continues last year's attempt to construct a new measure of human development which would be more comprehensive and useful than simple per capita income. This new measure – the Human Development Index (HDI) – is a summary indicator of income level, educational attainment and life expectancy. For each country, the actual level of income, educational attainment and life expectancy is compared with a 'target' level – the HDI is basically an average of the difference between the actual and target levels.

One of the main problems with the 1990 HDI was that it set the target income level at the average of the official poverty lines in nine developed countries – countries with average incomes above this target

received no additional credit for it in the HDI. Writing in last year's *Trócaire Development Review*, Brian Nolan criticised this feature:

The USA gets no credit for the fact that its income per head is twice Ireland's.... 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. (p.108)

This problem has been at least partly corrected in the 1991 HDI. Income beyond the target level is now assigned a diminishing but non-zero weight. The other major modification to the HDI is that adult literacy (last year treated as an indicator in its own right) has now been merged with average years' schooling to construct a more comprehensive measure of educational attainment.

The 1991 HDI ranking puts Japan in number 1 position, followed by Canada, Iceland, Sweden and Switzerland. Sierra Leone brings up the rear. Many countries do much better on the HDI ranking than simple GNP would suggest: for example, Sri Lanka would be ranked at 120 in a GNP 'league table' but comes in at number 75 according to the HDI. Chile, China, Vietnam and Madagascar also perform significantly better on the HDI than on GNP.

Conversely, many countries do far worse in HDI terms than their levels of GNP might suggest. These include Kuwait, Saudi Arabia, Libya, Oman, Iraq, Gabon, Algeria, Cameroon, Sudan, Angola, Mauritania and

Guinea. The relative neglect of social development in the oil-rich states of the Middle East comes across clearly from these figures.

At one stage of the Report the authors also modify their index to take account of gender-related factors: each constituent indicator of the HDI is adjusted for male-female inequalities to form a 'gender-sensitive' HDI. Japan slumps dramatically from its poll position on this revised reckoning. Finland, Sweden, Denmark, France and Norway emerge as the 'gender-sensitive' leaders. Interestingly, Ireland also records a significant deterioration in its ranking when gender inequality is taken into account e.g., Irish females' wages were, on average, only 62% those of men in 1986; the EC average was 74%. (Adjustments to take account of overall distributional factors e.g., income inequality, within countries produce less dramatic changes in the index.)

The 1991 *Human Development Report* also compiles a 'human freedom index'. This consists of 40 indicators, such as freedom to travel, freedom from torture, and right to religious practice. A country is assigned a mark of one for each freedom or right protected e.g., Sweden scores 38. Ireland scores only 27, putting it below almost all other developed countries and also below Costa Rica, Venezuela and others. Ireland clearly falls down on freedom from capital punishment, freedom from political censorship of the press and right to homosexuality between consenting adults (the Report uses

1985 data); but it is difficult to see quite what other freedoms Ireland is deemed not to protect. Incidentally, Iraq scores zero!

Personally I find the numbers and the indexes (debatable though they obviously are) the most interesting part of the *Human Development Report*. However, the report devotes most of its pages to the question of how national budgets and foreign aid packages can be remoulded to better fulfil human needs. Its main conclusion is that 'the lack of political commitment, not of financial resources, is often the real cause of human neglect' (p.1). The Report pays special attention to military expenditure in the developing countries and urges a redirection towards social spending. Aid donors are effectively urged to apply pressure on recipient governments in order to help bring about this redirection.

If official statements are anything to go by, this aspect of the Report has had a significant influence on official policy formulation. At the G-7 economic summit in London the final communique noted 'with favour the recent report issued by the United Nations Development Programme (*Human Development Report* 1991) and the recent decisions by several donor countries to take account of military expenditure where it is disproportionate when setting up aid programmes and [encouraged] all other donor countries to take similar action'. An example of this effect in practice is proposed cuts in German bilateral aid to India. The problematic nature of this kind of

policy has been well summarised by Dieter Brauer (in the journal *Development and Cooperation*, 5/91):

A look into the Human Development Report quoted by the G7 reveals that India only spends a relatively modest 3.5 per cent of GNP for defence – below the average of 5.5 per cent for all developing countries and far below the military spending in the USA where 6.7 per cent is earmarked for this purpose. And what about countries in the Middle East like Syria, Jordan and Egypt whose military spending is up to six times higher than that of India, and yet they continue to receive huge allocations of development aid from Western countries including Germany? Obviously, double standards are being applied here. Strategic 'partners' continue to receive aid with a bonus, while others lose out in the zero-sum game and have their aid allocations slashed.

The declarations of the G7 in London attain a particularly hollow ring when one looks at the figures for last year's arms exports to developing countries. According to the annual report of the US Congress, the US in 1990 doubled their arms sales to the Third World to a total of 18.5 billion dollars making the US the largest of all the international arms traders. 45 per cent of all arms sold to the developing countries came from US firms, which apparently see Third World markets as a welcome alternative

to shrinking business in Western countries....

[O]n the one hand the Third World is admonished not to waste its money on the military; on the other hand, arms exporters are competing for the lucrative markets in developing countries.

Even more recently, the World Bank president has said that high arms spending might prompt the bank to reconsider making loans to certain countries. He did not say what action might be taken against those countries selling the arms.

### **The State of the World's Children 1991**

James P. Grant, Executive Director of the United Nations Children's Fund (UNICEF), Oxford, Oxford University Press, 1991 (Stg £3.75, 128 pages).

The annual UNICEF Report, like those of OECD DAC and World Bank, relies heavily on value-laden statements and selective use of statistics. The difference is that, unlike the DAC Report, the statements are honest and supportable, while, unlike the World Bank Report, the statistics and examples offered are not marred by 'sins of omission'. Among the figures cited are:

- \* 40,000 children die every day from malnutrition and easily preventable diseases;
- \* 150 million children live in perpetual poor health;
- \* approximately 500,000 women die

every year because something goes wrong in pregnancy or childbirth.

These figures are, in some circles, well known, though still shocking. What is, perhaps, even more important is that the material means to prevent all this happening are available – this is a major theme of the 1991 UNICEF Report. '[T]he problem of mass child malnutrition can be overcome at an average annual cost of approximately \$10 per child' (p.6).

At the September 1990 'World Summit for Children' the representatives of 159 nations committed themselves (on paper at least) to ending present levels of child mortality and malnutrition by the year 2000 and to providing basic levels of protection for all children. This broad goal was broken down into a Plan of Action comprising 22 specific targets (such as the eradication of polio, the halving of maternal mortality rates, and many others). The achievement of these targets would cost 'about the same as is now spent on the military every ten days' (p.9). The Report acknowledges the fact that such comparisons may seem clichéd at this stage, but argues that:

it must never become accepted as normal and unremarkable that a fifth of mankind should be without adequate food, safe water, basic health care, and elementary education, or that millions of children should die or be stunted in brain and body, in a world which clearly has the knowledge and resources to enable all its



people to meet their own and their children's needs. However ritualistic such comparisons may seem, they serve to make a mockery of the idea that the world cannot yet afford to contemplate the great step forward for our civilisation which would be represented by achieving the year 2000 goals and bringing basic protection to the lives and growth of all its children (p.16).

Apart from general arguments of this sort about the availability of global resources, the report also goes into specifics about how the necessary finance (estimated at around \$20 billion per annum) might be raised.

The developing nations as a whole are now spending more on the military than on education and health combined. With the ending of the cold war and the easing of regional tensions, it cannot be too unrealistic to suggest a 5% cut in defence spending [in the developing countries] which would in itself liberate half of the estimated \$20 billion a year needed to reach the year 2000 goals (p.16).

In this and other ways it is estimated that the developing countries could provide two-thirds of the necessary funds themselves. This argument clearly mirrors that of the UNDP *Human Development Report* and is open to many of the same criticisms. For example, the role of western arms exporters in promoting militarisation throughout the developing world is

ignored, as is western support for selected militaristic regimes (which is unlikely to end just because the 'cold war' is nominally over). Calls for reductions in military expenditure in the developing world which do not place that spending in an appropriate geopolitical context are, in my view, based on a partial and potentially misleading analysis.

Accepting this aspect of the Report's approach would leave the developed countries needing to supply only \$7 billion per annum to fulfil the year 2000 targets. As the Report points out, the developed countries get that amount from the developing countries in debt repayments every ten days! A redirection of aid could also release the necessary funds: at present, less than 25% of bilateral overseas aid from the developed countries is allocated to health and education; only 3% goes on primary health care, primary education and rural water supply and sanitation.

Even if the developed countries were asked to supply the total of the \$20 billion needed, it is unarguably a target that could be comfortably reached and exceeded. (The Report does not mention the fact that annual capital flows from the West to Eastern Europe will far exceed this sum). Does the political will exist to carry out the task? The final declaration from the World Summit for Children, endorsed by the 159 governments, stated that: 'We are prepared to make available the resources to meet these commitments' (p.1). And the governments concerned have pledged to

review their budgets in order to decide on follow-up national action by the end of 1991. The Report claims that the targets, following after the Gulf War, challenge the international community to act 'in the interests of the powerless as well as those of the powerful' (p.3).

Even if the developed countries do not prioritise the targets, progress may be possible. At the start of the 1980s, a target was set of ensuring an 80% immunisation rate (against three common diseases) of children in developing countries, as against the 15% rate then prevailing. It appears that this target has been achieved,

despite the economic ravages of the 1980s for much of the developing world. 'That extraordinary effort has saved over 12 million young lives and prevented over one and a half million children from being crippled by polio' (p.1). What is most interesting about this is its suggestion that 'basic needs' progress may be achieved without it being a primary concern of world leaders: perhaps this, rather than the grand statements emanating from the World Summit, is the most hopeful part of the UNICEF Report.

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