

# Recent Reports

---

**World Development Report 1996: From Plan to Market, Oxford University Press for the World Bank, Washington DC June 1996, v+241 pages, \$22.95**

When the World Bank and the IMF were established at the end of the Second World War Russia and China were to be core members, but Stalin had second thoughts, and the Kuomintang took China's membership with them to Formosa. So it was that the communist bloc took a back seat in the evolution of the World Bank's thinking on development issues over the years. Bank missions travelled mostly to tropical countries, bringing policy advice that was increasingly based on free-market economic doctrine.

The crumbling of the planned economy systems, most dramatically since 1989, but starting much earlier (notably in China) has brought the World Bankers to snowy Northern capitals and presented them with a new range of intellectual challenges. They began by exploring the reasons for the failure of the planned economy. But they soon discovered that successfully redesigning economic, political and legal institutions also required considerable reflection on successful Western institutions. The process of advising transition countries and observing the process of transition has contributed many insights as to the functioning of

familiar institutions. The *1996 World Development Report: From Plan to Market*, written by some of the Bank's most thoughtful policy researchers, led by Alan Gelb, represents a distillation of what they have learnt from the process of transition. The depth and duration of the initial output collapse in transition countries has been unexpected. Eleven of the 28 countries examined are still shown as experiencing negative growth in 1995. A major message of *From Plan to Market* is the argument that countries that acted quickly and decisively in adopting policies of economic liberalisation (Poland, Slovenia, Hungary) returned more quickly to a growth path. Albeit predictable from the source, the argument is generally persuasive – though perhaps those (like Andrei Shleifer) who prefer to explain differential success in terms of how quickly the old communist elite has been replaced by a new breed have identified a more fundamental distinction. Of course the experience of China and Viet Nam differs somewhat from the rest. They have achieved a considerable degree of economic transformation with a gradualist policy and without any collapse. This Asian success is attributed to the fact that these countries had previously been held back by large and heavily repressed agricultural sectors, which responded particularly well to price liberalisation.

In contrast, over 40 per cent of Russia's workforce was in an industrial sector composed largely of interdependent enterprises which relied on implicit subsidies built in to the prices of their inputs and outputs. Freeing prices presented such enterprises with more problems than opportunities; and the collapse of one enterprise stymied others which had depended on it.

The first main section of *From Plan to Market* also examines the tasks of achieving macroeconomic stability in the transition and of creating and allocating property rights. High rates of inflation characterised the early stages of reform in most countries, with an initial burst when prices were freed, followed (in the slow reforming countries) by a period during which the attempt to bridge budget deficits by printing money led to rates of inflation which soared towards 50 per cent per month. But with inflation now at more tolerable levels the attention that it received may seem in retrospect to have been exaggerated, though the authors argue that macroeconomic stabilisation is a prerequisite for the establishment of business confidence needed for a solidly-based recovery.

Privatisation has presented the most novel challenges, especially privatisation of large firms. The authors observe that each of the main methods used has its advantages: sales to outside owners may raise more money for the budget, and may mean better corporate governance and more access to capital and skills; management-employee buy-outs can be accomplished more quickly and with

greater flexibility; voucher schemes can be fairer. Only "spontaneous privatisation", where insiders grab the assets in a disorderly manner, is without redeeming features; alas it has also been prevalent.

Social strains of one sort or another have emerged in most of the transition economies, reflecting their unpreparedness for change, and to some extent also the weaker points of the free-market system.

Unemployment and inequality have risen in most, though an interesting chart reveals that the rise in unemployment has been much lower in countries where real wages have fallen. This finding fits with elementary textbook ideas, but runs counter to the somewhat paradoxical fact (recently noted by Blanchflower and Oswald in *The Wage Curve*) that high unemployment is correlated with low wages. China and Viet Nam once more run against the trend in as much as inequality has fallen there.

Healthcare has deteriorated, though the sharp rise in death rates, especially in Russia and the Baltics, may be due as much to a resurgence of alcoholism and the tensions of reform than to deterioration of health services. The report points out that a deterioration in life expectancy had been observed as early as the 1970s. Educational achievement is also an area where a nuanced conclusion is warranted: though many planned economies outperformed the best education systems in the West on knowledge of scientific and mathematical facts, they score less well in tests calling for the application of knowledge in unfamiliar situations. The authors conclude that

their educational system has been better adapted to a more structured and predictable economic environment than now faces the transition economies.

The second main part of *From Plan to Market* looks to the future: how can the progress made so far be consolidated, thereby bringing these economies closer to normality? Building institutions is the name of this game, and it is one where industrial country know-how is unlikely to provide all the answers. Some of the approaches adopted and being considered have no direct precedents, and the authors must rely on a priori reasoning as much as on comparisons with successful models to assess their prospects. The unfolding story here could, in turn, provide lessons that may be applicable to the poorer developing countries in Africa, South Asia and Latin America, many of whose political, legal and economic institutions are also clearly dysfunctional in different ways. No student of development can afford to neglect the transition story. *From Plan to Market* provides the most comprehensive, well-informed and accessible account to date.

*Patrick Honohan*

**Human Development Report  
1996, United Nations  
Development Programme  
(UNDP), Oxford University Press,  
New York, 1996, 229 pages, \$17.95**

The annual reports of most UN agencies are normally greeted with

equal doses of scepticism and apathy. Not so the annual *Human Development Report* of the United Nations Development Programme (UNDP).

UNDP has been at the forefront of shaping new perceptions of what constitutes development through its innovative creation of statistical measures of human well-being and deprivation. The most important of these, the Human Development Index (HDI), has helped to undo the myth that by itself a growing GNP implies a country's citizens are better off. There are lessons here for Ireland as well as the Social Progress Index discussed at this year's Conference of Religious (CORI) conference shows. The HDI ranking of countries has helped clarify how we view the world, and is a central recurring focus of the *Human Development Report*.

The UNDP's role in developing ground breaking measurements was highlighted in its 1995 *Human Development Report*, when two new indices of women's role in development were introduced: the gender-related development index (GDI), and the gender empowerment measure (GEM). These new statistical measures helped to expose the gap between the value of women's work and the level at which it is rewarded by society. Placing a higher value on the contribution of women to development holds the key to future prosperity in the South and the North. These new measures will assist in monitoring the path of progress towards gender equality and allow interested groups to measure government's stated commitments in

this regard against their practical application and actual impact. The new Capability Poverty Measure (CPM) reflects the percentage of people who lack the basic, or minimally essential human capabilities, needed to lift them out of income poverty and to sustain human development. For instance, the CPM uses the proportion of children under five who are underweight as a basic measure of public health; the proportion of births unattended by trained health personnel as a measure of healthy reproduction; and the rate of female illiteracy to measure lack of capability to be educated and knowledgeable.

Because investment in women pays off so well, a low CPM also signifies great economic inefficiency. For instance research undertaken in Côte d'Ivoire revealed that if women had as much control over cash income as men, the share of food in household spending would increase by 9% while that of cigarettes would fall by 55% and that of alcohol by 99% (p.69). In short as the Report notes: "income is more likely to be spent on human development when women control the cash". While the Report found that 21% of people in developing countries live below the income poverty level, when the capability poverty measure is applied, the figure of those suffering rises to 37%. By opening a new window and perspective on human development, the UNDP has given its readers a better understanding of the links between economic growth, employment creation and the income inequalities which lead to acute

poverty for much of the world's population.

The 1996 Report does not take a static view of development. Its innovative indices allow for a more rigorous examination of which regions are moving forward and which are worse off in terms of both human development and income. The Report highlights the reality that disparities between and within countries are widening. Despite some dramatic surges in economic growth in a few countries over the last 30 years, 1.6 billion people are worse off today than they were in the 1980s. The wealth of the world's 358 billionaires is greater than the combined annual income of the countries with almost half the world's population. As James Gustave Speth says in his foreword: "If present trends continue, economic disparities between industrial and developing nations will move from inequitable to inhuman".

This disparity and its inherent danger of instability must be tackled by a new international solidarity. The Report cautions that growth on its own is not enough. It is the pattern of growth that matters. Richard Jolly, the Report's chief author, suggests that "Short-term advances in human development are possible - but they will not be sustainable without further growth. Conversely, economic growth is not sustainable without human development." He puts forth a three-pronged approach to reverse the present trend: a target of 3% per capita income growth in the poorest countries, an emphasis on making this expansion sustainable and more

equitable, and action to avoid the five forms of undesirable growth identified in the Report. These are as growth which is jobless, ruthless, voiceless, rootless and futureless. Or to put it another way, growth that does not create jobs, that benefits only the rich, that is not matched by democracy or individual empowerment, that allows people's cultural identities to wither as economies grow, and that squanders the resources needed by future generations is simply not sustainable in the long-run.

The Report highlights the positive development link between growth and equity. In those countries where people are better off than they were 10 years ago, governments have stressed not just quantity of growth but its quality. They have achieved some measure of equity through improving health and education provision as well as employment opportunities for their citizens. Early investment in building people's capabilities creates a climate for forging strong and mutually reinforcing links between growth and human development. The Report shows, for instance, that no country transforms its economy without boosting basic education. Both Malaysia and the Republic of Korea, for example invested heavily in education and health care (\$150 and \$160 per person) and both have achieved high growth and employment. The fastest growing countries have also been those which have had a fairer distribution of income and assets, such as land and credit. The best investment in the

future, for sustainable economic growth, is investment in people. Healthy and educated people are more productive. In a special contribution South Africa's President Nelson Mandela states that the task of government is to harness the energies of the people, into partnership between communities, government and the private sector.

The Report contains an interesting balance of both old and new home truths. Ireland, it finds, spent more on official development assistance as a percentage of arms spending in 1994 than the average among the developed countries, but it was lower than the EU average. Too many poorer countries spent too much on military budgets and too little on human development.

In the end one must look to the record of commitments made to commitments kept. As the Report points out, industrial countries have failed to open up markets preferentially to less developed countries, donors have failed to meet development assistance targets, (indeed most are reducing their aid budgets) and debt relief has not been sufficient to ease debt burdens in the worst effected countries.

Where the UNDP *Human Development Report* may be most useful is in pointing out to all of us that we still have a long way to go. In order to achieve equitable development, new patterns of growth must be developed and sustained. This requires political will combined with innovative policies at national level, in multilateral settings such as the

European Union and internationally through organisations such as the IMF and World Bank. The more policymakers who read this Report, the more chance there is that these policies and the will to carry them through will be generated.

*Tom Kitt, TD*

**World Resources – A Guide to the Global Environment:** The Urban Environment, 1996-97, An official publication of Habitat II, the United Nations Conference on Human Settlements, June 1996), 384 pages, \$24.95

Here is a forecast guaranteed to revive interest in life on Mars. Within the next decade, more than half of the world's population will be living in urban areas. By 2025, it will be almost two-thirds – eight billion bodies in all. Not surprisingly, the developing world is witnessing the most rapid change, and discovering that the benefits are outweighed by the suffocating ills associated with poverty and economic growth. Historically, poverty has been concentrated in rural areas across the globe, but as the bulk of the world's population shifts to towns and cities, distress is increasingly wearing an urban face.

What is an urban area? This is one of the first questions addressed in the UN publication, *World Resources: A Guide to the Global Environment: The Urban Environment*, which was published in June 1996 for Habitat II, the UN Conference on Human

Settlements. Though the term “urban area” is a typical synonym for “city”, the two are not the same, it points out. All cities are urban areas, but not all urban areas are cities, and there is a bewildering array of definitions around the world. Such differences can skew international comparisons – if the Indian government adopted Peru's definition of it, it would become one of Asia's more urbanised nations overnight.

The UN's own urban population figures used in the Report are the most extensive set of international data available, but these “best estimates” should not be used to draw too many comparisons, the Report says. Indeed, just as there are conflicts over statistics, there were conflicts within the UN conference itself over an agreed vision for the future. Istanbul, June 1996, was not Rio de Janeiro, 1992, Cairo, 1994, or Beijing, 1995, according to some observers, who criticised this particular UN conference's failure to present a grand plan or a new approach.

While the Earth Summit in Rio de Janeiro forged an alliance, for the first time, between environment and development – and adopted the slogan, “sustainable development” – the UN population conference in Cairo redefined population control as an issue of women's rights. Yet, as Fred Pearce of *New Scientist*, who reported on Istanbul, has noted, delegates at Habitat II were divided over many basic issues – with health officials expressing concern about the disease and crime effects of overcrowding, and the World Bank

taking the upbeat view that basic services to improve health and welfare can be installed more cheaply where population density is high.

Even before the conference, mixed messages were emanating from the UN itself, with the UN Population Fund publishing a report on the risks associated with unprecedented urban growth in developing countries, and the UN Centre for Human Settlements noting that the growth of most cities was slower in the 1980s than in any of the three previous decades. It did predict that the number of megacities – of more than 10 million inhabitants – would rise from 14 to 27 by the year 2015, but noted that this accounted for only three per cent of the world's population to date.

Participants in Istanbul were even divided on whether life was worse in the city than in rural areas. So the one positive aspect emerging from Istanbul appears to have been the formal recognition of participation of local authorities at the conference.

Which makes one wonder if a review of the conference document is not a mite academic? In fact, no, given that this Report contains much useful information, identifies priorities for action and clearly defines urban sprawl as being driven less by the need for more urban land, and fuelled more by zoning regulations, land speculation and political interests.

There are snapshots of local environmental initiatives, of problems in sea-girt cities like Hong Kong, and of the success of efforts in areas of extreme poverty like Cali, Colombia's

second largest city. Rodrigo Guerrero, former mayor of Cali and now regional advisor on health at the Pan American Health Organisation in Washington, spoke recently of his efforts at a World Health Organisation Conference in St Patrick's College, Maynooth. In the UN Report, he describes the work of a philanthropic organisation, the Carvajal Foundation, and its efforts to develop programmes to support small businesses and community initiatives in low-income settlements in Cali.

If sometimes repetitive – almost unavoidable with so many different contributors – the 384 page volume does analyse key issue areas. It also includes the latest statistics on the economy, population and natural resources for 150 countries. Naturally, it has a strong environmental dimension – reminding the reader that more than a billion people live in urban areas with what it describes as “unhealthy” air, due to a cocktail of pollutants released from industrial, energy and vehicular sources.

In Mexico City, for instance, suspended particulate matter from cars and lorries and other sources contributes to a staggering 6,400 deaths annually, and some 29 per cent of children there have unhealthy blood levels. To end: another of the Report's many sobering facts: the World Bank estimates that if particulate levels alone were reduced to the World Health Organisation guidelines, between 300,000 and 700,000 premature deaths could be avoided across the globe.

*Lorna Siggins*

**World Disasters Report 1996,**  
International Federation of Red Cross  
and Red Crescent Societies, Oxford  
University Press, 178 pages

When I first saw the title of this book, I wondered who in their right mind would read it. I am not being facetious. I took it up many times to read and put it back down again quickly. It's an extremely sad book. And a book that made me angry. The majority of the disasters chronicled here are unnatural. They should never have been allowed to happen. Before most of the events described here, like Rwanda, Burundi, Bosnia there was plenty of warning that unless there was an adequate political response, there would be catastrophe. As the first chapter "Population movements" points out: "The irony is that key donor states and the international community often end up spending more time and resources in dealing with these emergencies than they would if they had tried to prevent them in the first place".

A lot of time, research and thought has obviously gone in this Report. Not meant to be read in one go, it would prove a very useful reference book. The Report chronicles the major disasters of the past year – of which unfortunately there are many. Many did not actually start then but are the result of earlier horrors.

There is an amazing breadth of issues actually covered in the book. Ranging from global food supply, aid trends: the state of the humanitarian system, Kobe, Rwanda, Oklahoma bombing, former Yugoslavia, the

floods in Korea, and a Disaster Database. I was particularly interested in the chapter on Rwanda entitled "Rwanda: Contradictions in Crisis", having covered the story for *World's Apart*. In this chapter in a section subtitled, "Evaluating Rwanda – the verdict, \$1.4 billion later" (p.78) the author quotes from the synthesis report, prepared at a cost of \$1 million (one wonders did they really need to spend that much to discover how the people of Rwanda were failed by the international community?). "The international community failed to stop or stem the genocide, by hesitating to respond and vacillation in providing and equipping peacekeeping forces. In this regard, it shares responsibility for the extent of the genocide".

And the ghastly ironies of the situation in the refugee camps are outlined in stark detail. Sometimes, the political reality of these camps has been inexcusably fudged. "Aid agencies found the human infrastructure of the former state living in the camps, with armed militias enforcing their continuing rule, preventing refugee return through propaganda and intimidation. Again the contradictions arose. Agencies were aware that the old structures had allowed or fostered the slaughter, but relief systems, such as food distribution, initially used the previous, hierarchical leadership – commune, prefecture etc – rather than trying to reach the community-level networks or even individual families".

I will never forget the horrors of those camps in Goina – no-one could, built under a steaming

volcano, thousands living under plastic, on black lava; but even more dispiriting was the reluctance of many of the agencies to challenge what was really happening in the camps at a political level.

The re-armed FAR and interhamwe, (death squads) terrorised refugees wanting to return to Rwanda. I remember interviewing members of the interhamwe, one man in particular, wearing sun-glasses, and a jaunty hat. He insisted at first that there never had been a genocide of Tutsis and moderate Hutus, and then said: "Well, we had to defend ourselves". There was no regret for what had happened.

Maybe that is to be expected. But what is inexcusable is the constant misinformation on the refugees question. The characterisation of the whole community as victims of the genocide rather than the fact that many, obviously not all, were actual perpetrators of it. And the extraordinary irony that more money has gone to the refugees than to the survivors of the genocide.

This report calls them "Guilty victims", saying: "Until Rwanda, all refugees were, more or less, regarded as innocent victims, caught in the crossfire of crisis, even if in some cases combatants' wives, children and elderly parents were ensured a secure food supply and shelter while their husbands, fathers and sons fought on. But some of Rwanda's 'innocent' victims – though how many, no-one knew – were guilty of the most appalling crimes and human rights violations."

And of course debate continues, as

to what role or position the agencies should have taken. The Report says: "Some believed it was the task of aid agencies to change their role and become policeman, judge and jury. Even within relief agencies, some felt that although the primary responsibility of aid workers is to assist the needy, they should inform on, or at least should not employ, those they suspected of crimes".

I wonder is this a fair characterisation of those who criticised the role of the agencies – sometimes it even came from their own personnel – many resigning or some agencies actually leaving the area, because of the intolerable contradictions? Very serious moral and ethical issues were being raised. And, sometimes it seemed there was a reluctance to confront these issues in the interest of fundraising and glossing over the truth. The media coverage often contributed to this distortion – with journalists relying only on agency spokespeople for their information about the situation.

No doubt the debate will continue, though it is not a new one; in the east similar arguments arose around the Kampuchean/Cambodian refugees, on the Thai border.

Some very interesting and startling facts, are listed in Chapter 2, "Global Food Supply". For example: Asia has the biggest number of malnourished people, despite the oft cited success of their tiger economies in terms of export and investment growth. As John Pilger pointed out recently in his documentary on Burma, there is a terrible cost being paid for economic growth, in Asia, that not only

includes extremely low wages but also child labour. Another statistic: in the US, an estimated 30 million people – one-in-nine Americans – go hungry due to poverty at some point each month. Food for thought for the candidates in this year's presidential election.

Obviously with a changing political scenario the humanitarian response has to change too. Though sometimes old approaches persist, as is pointed out here. "Donors seem to have difficulty recognising that 'Humanitarian' or 'basic' needs go well beyond food... it is believed that destitute people misuse cash for non-essential luxuries, such as alcohol, tobacco, or foods other than staples. This persists even in the developed world: the US government continues to distribute food stamps yet giving cash would bring large cost savings. The suggestion that impoverished people are inefficient resource managers – blaming victims for their plight – is simply incorrect." The Report points out that often refugees sell part of their food ration; in one camp in Burundi, this generated some 65 per cent of the refugees' total income. Research apparently shows that if donors had provided cash instead of a large amount of food, refugees would have more to eat, more money or both, while donors feeding a million people for ten years would have saved millions of dollars. While facts like these are fascinating, in other ways they make depressing reading, because the resulting lessons seldom seem to be learnt. And the beneficiaries are almost never consulted. To their detriment but to the donors as well.

The chapters on the Oklahoma bombing and North Korea are riveting, offering unusual insights on how these two countries coped with widely different crises. An interesting anecdote rather poignantly points out how desperate the North Korean government was for help. "To the surprise of many, no consequences were reported after a senior official from an aid agency in Pyongyang made politically insensitive remarks to the BBC World Service. The government itself kept speaking openly about the severity of the situation and repeating its readiness to accept help".

In the US, "relief workers found that few in Oklahoma expressed anger at the alleged perpetrators. Instead, anger was directed at family members, or governmental and relief agencies... Many mental-health professionals felt that this misdirected anger was due to the inability of individuals to accept that one person could have attacked so many innocent victims. It was easier to deny that reality and turn sadness into anger directed elsewhere."

This Report shows the universality of sadness and grief – though the amazing array of facilities on offer in the US, as a response to the bombing, contrasts greatly to the emergency response services to those suffering in the developing world. Definitely, a book worth reading, even if at times you have to put it down because of what seems the relentless injustice being inflicted on so much of humanity.

*Roisin Boyd*