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## Elements of a development strategy for the 1990s

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*Suggested Citation:* Simonis, Udo E. (1992) : Elements of a development strategy for the 1990s, In: Research Group on African Development Perspectives (Bremen) (Ed.): African development perspectives yearbook - Vol. 2.1990/91. Industrialization based on agricultural development, ISBN 3-89473-234-2, LIT Verlag, Münster ; Hamburg, pp. 286-292

This Version is available at:

<https://hdl.handle.net/10419/122545>

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# ELEMENTS OF A DEVELOPMENT STRATEGY FOR THE 1990s<sup>1</sup>

Udo E. Simonis

## 1 Development Challenges of the 1990s

In the 1980s, some economies, especially in Asia, grew rapidly; others in the developed and the socialist world grew more slowly, while many developing countries, especially in Africa, suffered severe losses in their real per capita income. It does appear that successful countries gave priority to human development, including the creation of a well-trained and educated labour force, maintained a high rate of investment, often through trade policies oriented towards greater openness, and financed that investment largely through domestic savings.

While performance records diverged in the 1980s, policy attitudes converged. There is a new political openness in the world community characterized by a reduction of ideological conflict and the prospect of reduced expenditure in armaments, in both the industrialized countries and the Third World. In many countries, a better understanding of the difficult economic realities has contributed to a new pragmatism in economic policy formulation and implementation. These changes in circumstances and policy choices create a potentially unprecedented opportunity for development to benefit the low-income countries and reduce the disparities in performance. The Committee for Development Planning believes that this opportunity calls for an international

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<sup>1</sup>The United Nations Committee for Development Planning (CDP) in its 1989 annual report has tried to formulate a development strategy for the 1990s. The strategy does not focus on Africa but most certainly is quite relevant for the African continent. Udo E. Simonis, member of the CDP, summarizes the main findings and recommendations. The full report has been published as *Elements of an International Development Strategy for the 1990s*, New York: United Nations 1989.

development strategy for the 1990s which emphasizes qualified economic growth through increased levels and efficiency of domestic investment — with a special emphasis on human resource development — and which encourages a more supportive international economic environment, both to preserve trading opportunities for small countries and to provide adequate debt relief for countries implementing policy reforms.

## **2 A Supportive International Economic Environment**

World trade patterns underwent significant structural changes in the 1990s due to both technological factors and economic policies. Services trade increased; intra-industry trade reflecting the growing role of transnational corporations increased; developing countries used comparative advantages in many categories of manufacturing industries and diversified exports; and the importance of primary commodity trade declined. Policy shifts led to new regional trading opportunities in Europe and in North America and the opening of the socialist world to world markets. These developments reflect both greater openness accelerating competition and increased protectionism in world markets that could marginalize some less developed countries.

There is even more reason therefore that the Third World should be an active participant in further steps towards trade liberalization, particularly in the context of the Uruguay Round. Reduced restrictions on agricultural products, textiles and some service activities are of potentially great benefit to many Third World countries. The industrialized countries have an inescapable responsibility to reduce these barriers and to manage the debt and macro-economic imbalances in the world economy to enhance growth and trade opportunities for developing countries. Industrialized and developing countries share responsibility for both the origins of the debt crisis and its progressive resolution. To date, however, most of the costs of adjustment have been borne by the debtor countries and particularly by the lower-income groups in the debtor countries. Human resource development has been espe-

cially hard hit. Recent debt initiatives recognize that debt reduction needs to figure more prominently on the menu of options for negotiation between commercial banks and debtor countries. Debt reduction should aim, in particular, to release public sector resources for enhanced levels of public investment and policies to increase the efficiency of investment, including private sector entrepreneurship and capital formation.

### **3 Elements of a Development Strategy**

The key elements of an international development strategy for the 1990s are:

1. Accelerated and qualified economic growth;
2. Greater concern for human development;
3. An absolute reduction in the number of people suffering from severe poverty and deprivation;
4. Restraining the deterioration of the natural environment.

The need for faster growth in the developing countries is undeniable, not as an end in itself but as a means to increase the well-being of people. A central policy objective must be to raise the rate of accumulation and efficiency of capital. In addition to a restructuring of output this requires reforms of investment procedures within central government ministries, including improved criteria for investments in public sector enterprises, price reforms, making public sector enterprises more competitive by increasing their exposure to market forces, as well as transferring some of such enterprises to the private sector. In addition, reforming public finance through improved tax and expenditure policies and raising the efficiency of domestic capital markets are also necessary.

Developing countries must be free to choose their own policies to suit their own circumstances. In the 1970s and 1980s, however, many

developing countries benefitted from export-oriented policies featuring in some cases import liberalization and, more importantly, export promotion. A predictable trade-oriented exchange rate regime is an important element in a successful trade policy, but other key steps include:

1. Removal of redundant trade barriers;
2. Removal of administrative controls by relevant market-based policies;
3. Achievement of greater uniformity in incentive structures;
4. Uniform reductions in the levels of import duties and export subsidies.

People in the 1990s should be placed in the centre of the development process. Investments in expanding the capabilities of people have the potential to yield a return to society at least as high as the return on physical investment. This requires policies to ensure that human resource capabilities are fully employed. Three areas of human resource development may be considered strategic:

1. Education and training;
2. Health and nutrition;
3. Housing.

The recommended approach during the next ten years is to emphasize areas of human development which are akin to capital formation and to give lower priority to the purely social welfare aspects of expenditure programmes. Women represent more than half the world's population, yet in many countries lag behind men in school enrollment, nutrition and health, and life expectancy in age groups below 50 years. The young represent all the world's population for the future, yet 45 per cent of children under five years of age in developing countries are living in absolute poverty. These two groups deserve special attention in human resource development. Equality of opportunity for women is particularly necessary in all aspects of development.

Neither human resource development nor growth for its own sake is enough. The objective must be to eliminate severe poverty and deprivation. Taking both rural and urban poverty into account, the number of people in the Third World living in extreme poverty is estimated to have increased from 819 million in 1980 to 881 million in 1985. Most of this increase occurred in Africa. To tackle poverty directly will require a fundamental change in attitude of policy makers, from regarding poverty alleviation as an act of charity to seeing it as an investment in the poor with a high rate of return. Such an attack is likely to include a combination of welfare services and entitlement programmes to place a safety net under the poor, policies giving priority to the production of goods consumed by low-income groups and to the construction of essential infrastructure to benefit the poor, public works to provide employment and redistribution of income and assets in favour of the poor, notably land reform and credit programmes.

Although environmental deterioration is in general a consequence of affluence in industrialized countries and poverty in developing countries, there is broad agreement that attempts to speed up economic growth have resulted occasionally in huge disasters and more frequently in gradual destruction of the resources on which material well-being depends. Some issues, such as the possible warming up of the planet and the depletion of the ozone layer, threaten all countries. While environmental deterioration has not, in general, reached such a point that it will bring economic growth to a halt or even reduce growth markedly, if it continues, the danger is that it may be impossible to sustain the income of the poor.

Water resources offer an instructive illustration of these interrelationships. Some 80 countries, with 40 per cent of the world population — many among the poorest countries in the world — already suffer from serious water shortages. Water quality is also degraded by expansion of irrigation, increased use of fertilizer, insecticides and pesticides, discharge of industrial wastes and untreated sewage, waste and toxic chemical dumps and atmospheric pollutants. Each year an estimated 12.4 million deaths occur from unsafe water and dirt-related diseases. Poor environmental sanitation is a critical link in the chain of diarrhoeal diseases that affect young children in developing countries and claim the majority of deaths in the under-five-years age group. Three

elements are essential in a future water resources policy:

1. Measures to increase usable supplies of water;
2. Policies to manage water demand, preferably through pricing mechanisms;
3. Measures to enhance the quality of existing water supplies and to prevent water pollution.

#### **4 Targets and Tasks for the Future**

The four elements of the strategy outlined above are not separate issues but strands of a coherent approach to development policy in the 1990s. Qualified economic growth is the foundation on which other policies to improve the well-being of the Third World rest, but enlarging the capabilities of people and reducing the absolute number of people living in poverty, especially through human resource development and breaking the cycle of poverty and environmental deterioration, are the ultimate objectives.

Working together, the four elements of strategy can aspire to high goals for the year 2000: universal primary education; reduction of the infant mortality rate to no more than 50 per cent per 1,000, or by 50 per cent in those countries where this rate has already been achieved; elimination of severe malnutrition in all countries; reduction of the absolute number of people living in poverty; reversal of the present trend and establishment of priorities to restrain land degradation, deforestation and desertification; overcome water shortage and pollution; reduce deterioration of coastal areas; control atmospheric pollution and regulate hazardous wastes and toxic chemicals.

To meet these goals, international effort will be needed to reverse the net transfer of resources from poor to rich countries, to mobilize the support and coordination of the multiple United Nations organizations and to establish more effective international accountability for national economic policies. The 1990s offer a rare opportunity to rely on a new political openness and economic pragmatism in the



world community to manage economic growth with a focus on human resource development, poverty alleviation and environmental sustainability. All countries would gain, but the poor people of the Third World would benefit the most.