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Towards a new international development strategy: Economic, social and environmental concerns

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Towards a New International Development Strategy

Economic, Social and Environmental Concerns

by

Udo Ernst Simonis

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The United Nations Committee for Development Planning (CDP) in its 1989 annual report has tried to formulate a development strategy for the 1990s. Udo E. Simonis, member of the CDP, summarizes the main findings and recommendations. The full report will be issued as *Official Records of the Economic and Social Council* of the United Nations.

Any development strategy, be it national or international, must have priorities and hence must be selective. In formulating an international development strategy for the 1990s, it is suggested that the priorities be few in number and that international action be organized around four themes: (a) Accelerated and qualified economic growth; (b) greater concern for human development; (c) an absolute reduction in the number of people suffering from poverty; (d) preventing further deterioration of the natural environment.

A. Accelerating and Qualifying Economic Growth

1. The Need for Accelerating Growth in the Third World

The need for faster growth is undeniable in the Third World, and especially in those parts of the Third World where per capita incomes fell during the 1980s. Growth, of course, is not an end in itself; it is a means to increase the well-being of people. If the growth of income per head is negative or low, it is almost impossible to reduce poverty substantially. But even when the rate of growth of per capita income is positive, it does not follow automatically that poverty or unemployment or hunger will decline. Much depends on the pattern of growth. If, for example, growth is accompanied by greater inequality in the distribution of income, the reduction in poverty could be rather modest. Similarly, the effects of growth on unemployment depend not so much on the average rate of expansion as on the employment intensity of the sectors of the economy that expand most rapidly. And further, growth can be accompanied by negative environmental consequences which actually lower the well-being of some groups of people. (The growth record of global output and income per capita is presented in *Table 1*).

2. Demographic Transitions

Population trends will affect the possibility of accelerating growth in per capita income in the 1990s. There is no direct relationship between slower growth of population and faster growth of average incomes, but as the rate of growth slows, the easier it is to increase the growth of income per head.

Population growth rates began to decline around 1960, and the decline is expected to continue during the 1990s¹ (see *Table 2*). Demographic expansion occurred at a rate of 2.1 per cent a year for the world as a whole during 1960-70; according to United Nations estimates, it should be only 1.7 per cent a year during 1990-2000. This fall in population growth rates is expected to occur in all groups of countries, be they rich or poor, capitalist or socialist, but not in all regions. Thus, in the capitalist developing countries the population growth rate is expected to fall from 2.5 per cent a year in 1960-70 to 2.3 per cent in 1990-2000, while in China and the other Asian planned economies the decline is expected to be from 2.4 per cent in 1960-70 to 1.3 per cent in 1990-2000. Population growth rates are expected to remain high (3.2 per cent a year) in West Asia and to continue to accelerate (to 3.3 per cent a year) in sub-Saharan Africa. Elsewhere they should fall, sometimes sharply.

Though it is much too early to claim that the population problem has been solved, attention in future is likely to be focused less on the overall rate of increase but more on the rate of increase in urban areas, which continues to be extremely high. In 1980-5, for instance, the urban population grew by 3.1 per cent a year in the low-income economies and by 3.7 per cent a year in the middle-income economies, as compared to total population growth rates in the two groups of countries of 1.9 and 2.3 per cent, respectively.

Rapid demographic expansion is thus not likely, in general, to be as great an obstacle to development in the 1990s as it was in earlier decades. The main international and domestic barriers are likely to lie elsewhere, and it is to those that we now turn.

1 The following figures are based on *World Population Prospects 1988*, United Nations publication.

3. Stimulating Growth in the Third World: Domestic Policies

A central policy objective during the 1990s must be to raise the rate of accumulation of capital and, at the same time, improve its allocation. In many countries gross domestic investment actually declined during the 1980s, and that pattern clearly must be reversed if even minimum growth objectives are to be attained. Investment increased at a rapid rate in China and at a modest rate in India. In the other low-income economies as a group, however, investment increased only by 0.4 per cent per year, which implies a heavily negative rate of growth in per capita terms. In the middle-income economies the growth of investment was negative, and the lower middle-income economies fared worse than the upper middle-income ones (see *Table 3*).

The most serious situation as regards investment occurred in two overlapping groups of countries - sub-Saharan Africa and the highly indebted countries. In sub-Saharan Africa gross investment declined at an annual rate of 9.3 per cent a year, and in the highly indebted countries it declined by 6.3 per cent a year. Thus the stock of capital per head of the population obviously declined sharply in many Third World countries, and it should therefore be an object of domestic policy to recreate conditions for higher levels of investment.

Unfortunately, it is not enough merely to raise the rate of growth of investment in view of the fact there was a tendency throughout the Third World for the efficiency of investment to decline in the 1980s. In the 1990s it will be important to take steps to increase the efficiency of investment so that it at least regains the levels experienced in the 1970s. In addition to a restructuring of output, this requires reform of investment procedures within central government ministries, improved criteria for investment decisions in public sector enterprises and price reforms designed to channel private investment in more socially optimal directions. State-owned enterprises, in particular, have tended to serve vested interests, have been inefficient and have often operated at a loss. Whether such enterprises are retained in the public sector or privatized, they should become more competitive by increasing their exposure to market forces.

The savings effort in developing countries remained surprisingly large on the whole, the average savings rate being 23.6 per cent of GDP in 1987, or about the same as it was in 1973 before the first sharp increase in oil prices. In sub-Saharan Africa, however, the savings rate was less than half the average of the Third World - namely, 10.9 per cent in 1987 - and much below the rate of savings achieved in 1973 - namely, 17.5 per cent. In this region a major effort will be required in the 1990s to raise the savings rate to a level compatible with a positive rate of economic growth. Failure to do so will almost certainly result in further impoverishment.

Public expenditure in the developing countries increased its share of GNP by nearly 41 per cent between 1972 and 1986, central government expenditures rising from 18.7 per cent of GNP in 1972 to 26.3 per cent in 1986. Much of this, however, was due to rising interest payments on the foreign debt.

When one examines the composition of central government expenditures, two things stand out. First, the share of expenditure devoted to human development (notably, education and health) declined, and secondly, the proportion of expenditure devoted to the military also fell. These were, of course, falling shares of a total which was itself an increasing proportion of GNP. Thus when these expenditure categories are expressed as proportions not of total central government expenditure but of GNP, it transpires, paradoxically, that public expenditure on the military and on education and health rose.

It would be highly desirable if developing countries in the 1990s could take advantage of the improved international political climate and curtail military expenditure, thereby releasing additional resources for expenditure on human development and for physical investment. Indeed, real public expenditure on education per student and real public expenditure per capita on health often either stagnated or declined. The central government current deficits, which can be interpreted as negative savings, rose very sharply, from 3.5 per cent of GNP in 1972 to 6.2 per cent in 1986. This is a further indication of the need to reform the public finances through improved tax and expenditure policies in order to make a larger contribution to development (see *Table 4*).

Indeed in many countries, above all in those affected by serious debt-servicing problems, the fiscal deficit of the central government is the major constraint on development. The ease with which several countries have generated trade surpluses indicates that the balance-of-payments constraint is not always as severe as was once thought, and widespread evidence of massive capital flight indicates that in those countries at least a savings constraint is not binding.

Other internal policy reforms are also likely to be necessary. These include measures to improve the efficiency of domestic capital markets and alleviate financial repression and controls to prevent capital flight. The deficits of public sector enterprises are quite large in some countries and these, too, represent negative savings and hence a constraint on growth. Where deficits are quantitatively important, governments should reconsider the pricing policies of public sector enterprises or transfer such enterprises to the private sector. The objective should be to accelerate savings and capital formation in support of faster growth, and policies towards public sector enterprises should be made consistent with this overall priority.

4. Scope for Trade Policy Changes

Developing countries must be free to choose their own policies and changing them in accordance with their own perception of needs. Many developing countries benefited from export-oriented policies in the 1970s and 1980s. Countries pursuing outward-oriented policies have done so in many different ways. For some, import liberalization was a dominant feature. For most, however, active efforts to promote exports were more important. In some cases, integration of domestic financial markets with international capital markets was attempted. Some countries, while seeking to implement more open trade policies and to deregulate domestic capital markets, failed to implement simultaneously appropriate fiscal and monetary policies, which led to problems of capital flight, declining domestic savings and a rapid further build-up of external debt.

Whether or not changes in trade policies towards greater openness are likely to produce positive effects in a relatively short period of time depends upon such initial conditions as country size and the extent of prior investment in infrastructure, diversification and industrialization. Poor countries exporting a narrow range of primary commodities are thus unlikely to quickly experience benefits from the adoption of such policies, since it is only over the medium term that a diversified export sector can be developed.

Changes in trade policies towards a more liberal régime must be considered in the context of the macro-economic situation and the prevailing overall structure of incentives. An appropriate exchange rate is the most important single element in successful trade policy. Beyond the exchange rate, the key steps in the process of trade liberalization, in rough order of difficulty, are as follows: (a) Removal of trade barriers; (b) replacement of administrative controls; (c) improving incentive structures; (d) reductions in the levels of import duties and export subsidies.²

The timing of import liberalization measures has often been critical to their success. The presence of such factors as a favourable balance-of-payments position, the availability of external capital flows, and moderate-to-strong growth prior to the implementation of trade policy measures can greatly ease the problem of public acceptance of the reforms.

Major changes in trade régimes generate potentially large costs and benefits for different people, requiring considerable political skill in reconciling divergent interests. Incautious advocacy of strong liberalization measures by international institutions in several cases were counter-productive. These institutions should support liberalizing change where it is possible, rather than prescribing it immediately for all.

Trade liberalization must be accompanied by appropriate macro-economic policies, including, in particular, the maintenance of realistic exchange rates if they are to be effective. Unchecked inflation and/or over-valued exchange rates increase the demand for imported goods, reduce competitiveness, and may it turn lead to balance-of-payments crises and

² Cf. D. Papageorgiou, M. Michaely, A.M. Choksi: "Introduction", in: *Trade Liberalization: The Lessons of Experience*, Washington, D.C: World Bank, April 1988.

recourse to quantitative restrictions on imports or other import-restraining measures.

Reduction of anti-export bias requires, at a minimum, the provision to exporters of access to inputs at international prices. This could mean compensating exporters for differences between national and international prices of inputs which may arise from protecting domestic import-substituting industries. It may also require review of regulatory régimes and credit policies. Indeed, an appropriate degree of domestic industrial policy liberalization seems to be a necessary corollary of a successful policy of trade liberalization.

B. Human Development

1. The Urgency of Human Resources Development

In formulating an international strategy for the 1990s it would be prudent to assume that the Third World will have to rely largely on its own resources to finance development. Foreign capital is likely to be meagre; domestic savings are also unlikely to be abundant. For these reasons alone it will be essential to make full use of the human resources available within the Third World itself.

The most compelling reason for doing so is that the process of development is coming increasingly to be understood as a process of expanding the capabilities of people. At times this had become obscured by too narrow a concentration on expanding the supplies of commodities. Economic growth should be seen as merely one means among several to the end of enhancing people's capabilities. Commodities and capabilities are linked - for example, through the distribution of income which affects the degree to which the basic needs of the entire population are satisfied and through the system of entitlements that determines to what extent specific needs in society are met. But commodities and capabilities are distinct categories and should be kept separate. In the final analysis, it is capabilities that matter, and this is underlined by putting people first. An emphasis on hu-

man development has the virtue of forcing policy-makers to ask themselves the question, growth for what?

2. Human Development as a Means

Human development also has instrumental value in accelerating economic growth.³ Indeed, expenditures on improving human capabilities have the potential to yield a return to society at least as high as the return on physical investment. Estimates of the rate of return on expenditure on education have made this very clear.⁴ Countries that neglected human development not only retarded the expansion of human capabilities, they also undermined the country's long-run potential rate of economic growth.

Until the 1980s, public expenditure on education rose rapidly throughout the Third World. Starting around 1980, however, real per capita expenditure on education began to fall in some countries and in others the rate of increase began to diminish. Per capita expenditure on education in real terms declined in sub-Saharan Africa, West Asia and the Mediterranean. These regions include many countries in which average incomes fell, and hence it is hardly surprising that expenditure on education also fell, but the decline in this component of human capital formation is cause for concern.

If one disaggregates total educational expenditure among first-level (primary), second-level (secondary) and third-level education and examines expenditure per pupil, further interesting points emerge. First, in the developing countries as a whole, real expenditure per pupil declined between 1980 and 1985 in each of the three levels of education. Secondly,

3 See *Official Records of the Economic and Social Council*, 1988, Supplement No. 6 (E/1988/16), "Human Resources Development: The Neglected Dimension."

4 See *Financing Education in Developing Countries: An Exploration of Policy Options*, Washington, D.C.: World Bank, 1986. Most estimates are of average rates of return. A study of the return on marginal expenditure in Kenya concluded that the social marginal rate of return was 12 per cent in primary education and 13 per cent in secondary education. See J.B. Knight, R.H. Sabot and D.C. Hovey: "Is the Rate of Return on Primary Schooling really 26 per cent?", in: *American Economic Review*, 1989.

this same pattern is found in the regions identified above as ones where total expenditure on education per capita declined. Thirdly, real expenditure per student in secondary education also fell in North Africa. Finally, in both the East Asian newly industrialized countries and in the other East Asian countries, real public expenditure per student on third-level education declined. In only one group of countries - South Asia - did expenditure per pupil increase in all three levels of education. In every other group there was a decline in at least part of the educational system. It is a sad record to report.

Education and training should also be directed towards enhancing the ability of individuals to participate constructively in enterprises, trade unions, and government agencies. On-the-job training can often be more productive than off-site training, especially when dealing with innovative institutional arrangements.

The record in health care is not much better. In the developing countries as a whole, per capita government expenditure on health increased by 3.2 per cent in real terms between 1980 and 1985. This modest rise in average expenditure obscures the fact that in sub-Saharan Africa and the Mediterranean per capita expenditure on health actually fell. The fall, however, varied from 4.1 per cent in sub-Saharan Africa to 22.8 per cent in the two Mediterranean countries of Yugoslavia and Malta.⁵

Considering the evidence on both educational and health expenditure, it seems clear that in the 1980s there was in many Third World countries a deterioration in the human conditions and the potential for long-run growth. One of the tasks of the 1990s should therefore be to reverse that deterioration in every country where it has occurred and, in the other countries, to push for further improvements.

5 "Development and International Co-operation: Long-term Trends in Social and Economic Development" (A/43/555), Table 43.

3. Strategic Activities in Human Resources Development

Human development encompasses a wide range of activities. Certain activities can be regarded as strategic and hence deserving priority: education and training, health and nutrition, and housing. If these three areas receive the attention they deserve, it is likely that human development as a whole will proceed at a rapid pace.

The recommended approach during the 1990s is to emphasize those aspects of expenditure on human development which are akin to capital formation and to give lower priority to the purely social welfare aspects of expenditure programmes. Such an approach will have several advantages. First, the development of human resources in almost any form will inevitably contribute directly to the well-being of the poor. Secondly, an emphasis on human capital formation will help to create a more equal distribution of income.⁶ Thirdly, it will create conditions in which equality of opportunity is not likely to lead to great inequality of outcomes. Fourthly, by providing comprehensive health, nutrition and educational services, complementarities between the various services can be used. For example, better health for the poor increases the efficiency with which the body transforms calories into improved nutrition; and improved nutrition, in turn, leads to increased attendance at school and improves the ability of children to learn. Similarly, there are important linkages between women's health, female life expectancy, the education of young women, the birth rate, and population growth. Also, there are linkages between literacy and health; between education, literacy and labour productivity.

Finally, there are complementarities between physical and human capital which a strategy of the type being suggested can exploit. Investment in industry requires skilled labour; agriculture requires people who can operate and repair irrigation equipment; banking, tourism and administration require a literate and numerate labour force. Thus an emphasis on human capital formation can yield high returns in the form of an increase in the productivity in physical assets.

6 See J.B. Knight and R.H. Sabot: "Educational Expansion and the Kuznets Effect", in: *American Economic Review*, 1983; R. Mohan and R. Sabot: "Educational Expansion and the Inequality of Pay: Colombia 1973-78", in: *Oxford Bulletin of Economics and Statistics*, May 1988.

4. Half Our People, All Our Future: Women and Children

The crucial role of women in development recently has come to be acknowledged. Women in the Third World perform the fundamental tasks of feeding and nurturing the population. They are responsible (particularly in Africa) for growing and marketing most of the food crops. They do most of the food preparation, obtain the water and fuel for the household, are responsible for health, nutrition and hygiene, and provide the early education of the young. Increasingly, too, women are engaged in wage employment or self-employment in the modern sector of the economy.

Yet in many countries, women have been neglected by development programmes and discriminated against by public policy. Female literacy rates are lower than men's. Female enrollment rates in all three levels of education are usually lower than men's. Females spend less time in education than males, probably because from the age of five upwards girls are expected to work in the home and in the fields. The nutrition and health of women are often neglected in favour of those of men. In India, Bangladesh and Pakistan there is evidence of discriminatory feeding and health practices favouring male children right from childhood.⁷ Despite the fact that women enjoy a biological advantage in longevity over men, life expectancy for women in many developing countries is lower than for men in age groups below 50 years. This is due largely to two facts. First, there is generally a higher mortality rate for female than for male children above five years of age and, secondly, there is a higher mortality rate for women of child-bearing age (15-44) than for men of corresponding years.⁸

In the 1990s the task, therefore, is to translate greater understanding of the problems of women into altered priorities. It is essential that women receive equal access to education and training programmes, to health and nutrition services and, in the sphere of production, to credit, extension services, technology and income-generating activities. Beyond

7 *Health and the Status of Women*, Geneva: WHO, 1980; L.C. Chen, E. Huq and S.D. d'Souza: "Sex Bias in the Family Allocation of Food and Health Care in Rural Bangladesh", in: *Population and Development Review*, Vol. 7, 1 (1981).

8 S. Hamilton, B. Popkin and D. Spicer: *Women and Nutrition in Third World Countries*, New York, 1984; H. Ware: *Women, Demography and Development*, Canberra, 1981.

this, specific investments favouring women are needed - e.g., in safe motherhood and in labour-saving devices of particular relevance to women, such as more fuel-efficient methods of cooking, less labour-intensive ways of preparing food and more accessible sources of water, fuel and fodder. Empowering women for development should have high returns in terms of increased output, greater equity and social progress.

If women are half our people, the young are all our future. Any society that neglects its youth does so at its peril. The problems associated with the decline in real public expenditure on education per pupil was already mentioned. To that must be added the decline in primary school enrollment ratios and the decline in the quality of education in many countries. There is a danger that, unless these tendencies are quickly reversed, this generation of young people, and the next, will be less well equipped for the future than the last.

UNICEF reports that about 45 per cent of the children under five in the developing countries, excluding China, are living in absolute poverty.⁹ These are roughly 155 million young people, 75 per cent of whom live in rural areas. About 40 per cent of the children under five years of age suffer from protein energy malnutrition. About 20 per cent of the infants in the Third World are born with low birth weight. Nearly half the children have no access to clean drinking water, and two thirds do not have access to adequate sanitation. About 20 per cent of the children of primary school age do not attend school, and of those who attend, one third drop out before completing four grades.¹⁰ There is here an agenda for action that deserves high priority in the 1990s.

5. Participation and Human Development

People in the Third World - above all the poor - often feel like, and indeed are relegated to the status of, subjects. Recognition of this is what

9 *Strategies for Children and Development in the 1990s*, New York: UNICEF, 1989, p. 10.

10 *Ibid.*, p. 11.

lies behind the call for greater popular participation in development. Participation is, of course, an end in itself; but participation also has a number of instrumental values. First, participation in community-based organizations can help to identify local priorities, to determine which needs are essential or basic and which of secondary importance, and to define the content of development programmes and projects so that they reflect needs, aspirations and demands.

Having identified priorities, participation in functional organizations (like service co-operatives, land-reform committees, irrigation societies, women's groups) can mobilize support for national and local policies, programmes and projects. Last, participation can reduce the cost of public services and investment projects by shifting responsibility from central government (where costs tend to be high) to grass-roots organizations (where costs can be low). In many cases, it may be possible to organize the beneficiaries of an investment project and persuade them to contribute their labour voluntarily to help defray construction costs. In other cases, some of the public services (like clinics, nursery schools) can be organized, staffed and run by local groups rather than by highly paid civil servants brought in from outside. Thus in an appropriate context, participation can flourish and in so doing contribute much to development.

6. Human Development Goals for the Year 2000

Each country will, of course, set its own goals for human development, taking into account its particular social, economic and financial circumstances. There are, however, minimum desirable goals that may commend themselves to the international community as a whole. One such goal is the attainment of universal primary education, including - especially - efforts to increase primary-education opportunities for girls. A second goal is a reduction of the infant mortality rate to no more than 50 per 1,000 or, in countries where this has already been achieved, a reduction of the infant mortality rate by 50 per cent. Thirdly, it is now possible to eliminate severe malnutrition in all countries, and it is suggested that this should be a goal for the next decade. The measures necessary to reach this goal will

vary from one country to another - including increased agricultural production, food entitlement programmes and improvements in primary health care systems - but the knowledge and resources necessary to banish hunger from the globe exist, and the time surely has come to give this a high priority. Lastly, a basic need of all people is access to safe drinking water and sanitation, and it is suggested that universal access to such services should be a goal for the year 2000.

It was indicated earlier that population growth rates are projected to decline in most regions of the world over the next ten years. If the recommended policies are adopted to accelerate the rate of economic growth, the actual pace of demographic expansion should decline below the projected rates. If, in addition, high priority is given to human development, a further reduction in the rate of growth of the population can be anticipated. Even so, in some countries, population growth rates may remain extraordinarily high, and governments in these countries should consider specific measures to reduce the rates.

C. Reduction of Poverty

1. Direct Measures to Alleviate Poverty

While it is important to increase the aggregate rate of economic growth, reduce the pace of demographic expansion and give higher priority to human development, these measures, separately or together, will not suffice to eliminate severe poverty and deprivation. It is now widely understood that one cannot rely on the benefits of increased production to "trickle down" automatically to all sections of society, particularly to those most in need. Growth is not enough. Even in the United States, with a sustained growth for over 200 years, it is estimated that 20 million people do not have enough to eat.

The poorest people in any society are the hardest to reach. They live in remote areas, are scattered and isolated, or else crowded in urban slums. They are often the least skilled, have the fewest productive resources and have little or no access to high productivity employment.

Growth tends to pass them by; and the public services fail to reach them unless specific measures are taken. It is important in formulating strategies for the 1990s that policy-makers ask themselves, growth for whom?

Roughly 90 per cent of the absolute poor¹¹ live in rural areas, considering the Third World as a whole. Within the rural areas the percentage of the population in poverty rises from 32 per cent in the Near East, to 49.8 per cent in Asia, to 53.4 per cent in Latin America and to even 65.2 per cent in Africa.¹² Because of this high incidence of poverty in the rural areas, reductions in poverty depend heavily on achieving sustained growth of agricultural income per capita of the rural population, combined with guaranteed access to productive resources (particularly land, water, pasture, forests). Unfortunately, neither condition was given in the 1980s. Agricultural GDP per head of the agricultural population actually fell in Africa, Latin America and the Near East, and rose only in Asia. Land concentration remained high in most countries, and appears to have increased further in such countries as Brazil, Pakistan, Panama, the Philippines, Sri Lanka and Uruguay.¹³ And the size of the landless population increased by 11 million between 1980 and 1985, or by 5.3 per cent.¹⁴ The conclusion is inescapable: that "with notable exceptions, the basic needs of the rural poor are being less well met today than they were at the beginning of the 1980s".¹⁵

Taking both rural and urban poverty into account, the ILO estimates that the number of people in the Third World living in extreme poverty increased from 819 million in 1980 to 881 million in 1985. This is a rise of 62 million, or 7.6 per cent in just five years. Moreover, on the basis of present growth projections and assuming the distribution of income remains unchanged, the ILO projects a further rise in the number living in poverty

11 By "absolute poor" is meant those who fall below the official Indian poverty line, which is determined nutritionally.

12 FAO: "Second Progress Report on WCARRD Programme of Action, Including the Role of Women in Rural Development" (C87/19, August 1987), Table 1.

13 *Ibid.*, Table 3, pp. 42-3.

14 *Ibid.*, Table 4, p. 45.

15 "Food and Agriculture: Review and Analysis of Agrarian Reform and Rural Development" (E/1988/56), p. 29.

to 913 million by 1995 (see *Table 5*). It must be one of the objectives for the 1990s to ensure that these projections do not in fact materialize.

Turning from the global to the regional figures, rising poverty is most serious in Africa. Between 1980 and 1985, extreme poverty in Africa increased by 68 million and if nothing is done to reverse the trend, poverty is expected to rise by a further 127 million by 1995. In Latin America, extreme poverty rose by 18 million in the first half of the decade. This is much less than in Africa, but because of the smaller base, the proportional increase was larger: 38.3 per cent in Latin America, compared to 32.4 per cent in Africa. According to the ILO's projections, poverty in Latin America should decline between 1985 and 1995, but the number of poor people in 1995 will still be higher than in 1980.

In contrast to the ongoing impoverishment in Africa and Latin America the trends in Asia were favourable. The number of poor people in Asia declined by 24 million during 1980-5, and the ILO projects a further decline of 88 million by 1995. This seems encouraging. The Economic and Social Commission for Asia and the Pacific (ESCAP), however, takes a different view and regards progress towards the elimination of poverty as being "disappointing throughout the region".¹⁶ This judgement appears to be based on a relative, rather than an absolute, view of poverty and in particular on the high degree of inequality of the overall distribution of income, and in one or two cases (Bangladesh, Sri Lanka) on the fall in the share of household income received by the poorest quintile. At least, this assessment of the situation in Asia shows that there is no reason for complacency.

Thus the necessity to tackle poverty directly remains in all regions. The required direct measures are likely to include a combination of:

- (a) Welfare services and entitlement programmes which place a safety net under the poor;
- (b) Policies directed towards satisfying the basic needs of the poor, partly by giving priority to the production of goods consumed by low-in-

16 "Towards a New International Development Strategy: Economic, Social and Environmental Concerns in the Asian and Pacific region in the 1990s" (E/ESCAP/645), p. 8.

come groups (wage goods) and partly by redirecting public expenditure on essential infrastructure (transport, power) and services (education, primary health care) to benefit the poor;

- (c) Public works programmes aimed at providing employment for the poor;
- (d) Redistribution of income and productive assets in favour of the poor, notably land reform;
- (e) Investment and credit programmes aimed at the poor.

To implement these measures may require a fundamental change in attitude by policy-makers, a change from regarding poverty alleviation as an act of charity and a drain on the exchequer to the recognition that poverty alleviation should be seen as an investment in the poor, and moreover an investment that can produce a high rate of return. Such an approach would be likely to imply greater emphasis on peasant agriculture and small-scale rural entrepreneurship, a more employment-intensive pattern of growth, greater freedom for the urban informal sector and reduced emphasis on large-scale, capital-intensive, often State-owned manufacturing enterprises.

2. Anti-Poverty Goals for the Year 2000

The minimum objective for a new international development strategy should be to reduce the absolute number of people living in poverty by the year 2000. The present tendency for numbers in absolute poverty to increase is not acceptable; this trend must be reversed. Each country should direct its energies to ensure that development is accompanied by a reduction in the number of people living in conditions of severe poverty and deprivation. This is a readily attainable goal, and it is one that is so central to what development is all about that its enunciation as international policy could serve as a rallying point for renewed national commitment and enhanced international co-operation.

If the reduction of severe poverty and deprivation is to be a central objective of the 1990s, it will be necessary for each country to establish a

monitoring and reporting system that enables it to trace changes in the living conditions of the poor with a reasonable degree of accuracy. Existing data on poverty are sparse and often years out of date. Further work will be necessary to fill data gaps, improve reliability and develop "simpler, lower cost, non-conventional methods of information collection and analysis".¹⁷ Lack of complete information should not be used as an excuse to delay the design and implementation of policies to reduce absolute poverty, but nor should the need to monitor progress be neglected.

D. Environment and Development

1. Perceptions of Environmental Deterioration

If development is to have meaning, it must be long term; it must be sustainable. More and more frequently, however, doubts are being expressed that present patterns of development, in rich countries and poor, cannot be sustained indefinitely, and perhaps for not much longer. Many people have come to believe that the world cannot continue on its present path. So much damage and stress are being inflicted on the environment that its capacity to sustain productive activities and eventually life itself is being undermined. Views such as these are widely held throughout the world. But it would be a mistake to assume that perceptions of environmental problems are identical in the industrialized and developing countries. They are not.

Many environmental problems in the industrialized countries are a consequence of affluence. The use of large numbers of private automobiles results in air pollution; the intensive agriculture required to supply an over-fed and overweight population results in soil and water contamination by high levels of nitrates; the high consumption per capita of manufactured products is associated with huge quantities of wastes, some of which end up polluting the soil, rivers and coastal waters. Environmental

17 D. Ghai, M. Hopkins, D. McGranahan: *Some Reflections on Human and Social Indicators for Development*, Geneva: UNRISD, October 1988, p. 28.

damage in affluent societies is a cost of excessive growth and unrestrained demands for ever larger quantities of goods and services. It is thus a consequence of materialism and acquisitiveness.

While similar points apply to the modern sector in developing countries, most of their environmental problems are consequences of poverty, not of affluence. A rapidly growing population puts pressure on a country's natural resources. The increasing demand for food and firewood results in the destruction of forests, degradation of the soil and depletion of water supplies. Thus the basis for future economic growth is eroded. Issues of development consequently cannot be separated from environmental issues.¹⁸ Poverty and the environment are closely linked, not least because it is the poorest members of society that typically suffer most from environmental deterioration.

Despite differences in perception, there is broad agreement that attempts by people to improve their economic well-being have resulted occasionally in huge disasters (the explosion of a chemical plant at Bhopal, the nuclear catastrophe at Chernobyl) and more frequently in gradual destruction of the resources on which material betterment depends (desertification in the Sahel, flooding in the Ganges region). There is also agreement that the situation in the Third World is different from that in the industrialized countries. Environmental problems may be present in all countries, but the appropriate response will differ from one country to another.

2. Priorities for Environmental Action

Some issues, however, transcend individual countries and are global in character. Foremost among them is the possible warming of the planet, the so-called "greenhouse effect". The main source of the greenhouse effect is the emission of carbon dioxide from the burning of large quantities of fossil fuels, above all in the industrialized countries. Precise and contin-

¹⁸ This argument is strongly put forward in the report of the Brundtland Commission: *Our Common Future*, New York, Oxford, 1988.

uous measurements of atmospheric carbon dioxide show a clear increase, from 315 ppmv (parts per million, by volume) in 1958, to 343 ppmv in 1984. If the present rate of increase of carbon dioxide emission would continue for 40 years (1-2 per cent per year), with a slower increase thereafter, the carbon dioxide concentration towards the end of the next century would be about 600 ppmv, or more than twice the level of 280 ppmv in 1750 (based on analysis of glacier ice cores).¹⁹

Carbon dioxide absorbs heat that might otherwise escape from the atmosphere and redirects it back towards the earth's surface. The consequence of this for the average global temperature still is uncertain, but computer-based simulation models predict that average temperatures will rise by 1 ° Celsius by the year 2010 and possibly by 4.5 ° Celsius by 2050. The temperatures in the arctic would increase more rapidly than temperatures elsewhere. Those temperature changes, in turn, would lead to changes in rainfall patterns and, in particular, to a deterioration in growing conditions in the major temperate cereal-producing areas of the world.

Higher average temperatures also would lead to a rise of the sea level, largely as a result of an expansion of the oceans as the water warms up. A 1 ° Celsius rise in temperature could raise the sea level by 30 cm by the year 2010, and a 4.5 ° rise could raise the sea level by as much as 150 cm by 2050. Since more than half of the world population lives within 40 km of a coastline, even a relatively modest 30 cm rise in sea level would have severe implications for many countries, particularly in Asia.²⁰

A second global environmental problem is the depletion of the ozone layer in the upper atmosphere. This is due to the emission of chlorofluorocarbons (CFCs) into the air, again largely in the industrial countries. The depletion of ozone in the stratosphere increases the exposure of the earth to the sun's radiation and could particularly result in serious health problems for the human population. Fortunately, the potential seriousness of the situation has been recognized, and agreement has been reached by the

19 *The State of the World Environment*, 1987, Nairobi: UNEP, 1987, p. 10.

20 Recently, evidence on these and other effects of climate change was rapidly increasing. Cf. N.J. Rosenberg et al.: *Greenhouse Warming. Abatement and Adaptation*, Washington, D.C., 1989; U.E. Simonis and E.U. von Weizsäcker: *Global Environmental Problems*, Bonn: Foundation for Development and Peace, 1989, pp. 13-35.

industrial countries to curtail sharply the use of CFCs. Several developing countries, including China and India, have expressed a willingness to restrain the growth of CFC-based technology on condition that the wealthy countries establish a special fund to assist developing countries to convert to ozone-safe technologies.

The image of "spaceship earth" has been widely used to underline the increasing fragility of environment. But, unfortunately, we have not yet come to recognize fully that the global commons - space, the sea, Antarctica - are threatened by pollution and exploitation and that they deserve protection for the benefit of mankind as a whole. The pollution of the sea is occurring at an alarming rate, that of Antarctica and space is in full swing, but the international community has yet to take adequate action.

3. Environmental Pollution and International Conflict

Not all environmental issues are global in scope or require universal agreements for their resolution. Indeed the number of such issues, although growing, is relatively small. More common are environmental issues that affect several, but not necessarily all, countries at once. They are international in character but not global. One example is pollution of fresh water supplies.

The industrialized countries provide many other examples of such environmental problems, though the issues raised are not unique to them. One example is the nuclear-power industry. After Chernobyl, every knowledgeable person is aware of the possible consequences of an explosion in a nuclear power plant. And it is clear that the consequences are not limited to the immediate vicinity. Radiation threatens not just the citizens of the country where the plant is located but animals and livestock, agriculture and the human population in many countries, including those which do not even share a border with the country where the accident occurred. Apart from the rare horrific accident, the nuclear-power industry has the chronic daily problem of how to dispose of dangerous radioactive waste. Methods must be found to guarantee safe disposal until the end of time. No such method has yet been found; thus every country that has nuclear

reactors poses a potential and permanent environmental threat to the safety and well-being of its immediate neighbours and the world.

Even conventional industry can damage the environment of communities and countries hundreds of miles away from the origin of the pollution. A well known example is the emission of sulphur into the air by conventional coal-fired power stations and manufacturing enterprises. The sulphur returns to earth as "acid rain", a very dilute solution of sulphuric acid. This acid rain damages forests and fresh-water fishing and even corrodes stone buildings. Yet another typical example is the pollution of international rivers by chemical industries along the banks disposing of their waste products by dumping them into the river. The river may seem to one country to be an inexpensive way to get rid of unwanted substances, yet to other countries down-stream the river may be a source of drinking water. In effect, the up-stream country is shifting part of the costs of industrialization onto its defenceless neighbours.

4. Poverty and Environmental Degradation

Many of the environmental problems found in the developing countries are different from those characteristic of the industrial countries. Shrinking forests, eroding soils, more frequent flooding of river basins and plains, overgrazed pastures and expanding deserts: these are the special problems in the Third World. In these cases there is a close link between the persistence of poverty and restricted economic opportunities for the poorest people in society and the processes that result in the deterioration of the physical environment. Deforestation, desertification and degradation of cultivated land are inevitable as long as inequality in the distribution of productive resources is great. If there are lots of people, if many of them are poor and if the poor are denied access to produced means of production, the poor will have no alternative but to earn a living as best they can by extracting the maximum possible output from the natural resources available to them. This will unavoidably occur, the reduction of long-term development notwithstanding.

Some problems could be ameliorated if the poor were organized to protect common resources. This would help to avoid over-exploitation. If nothing else were done, however, a serious problem would still remain because of the high time rate of discount of the poor and the associated high optimal rate of extraction, as seen from the perspective of the poor. The only real or permanent solution is to alter the strategy of development, that is: redistributing resources in favour of the poor, giving high priority to human development and adopting policies that ensure that the benefits of economic growth accrue directly to those most in need.

What needs to be emphasized again is that investment in the poor can be very profitable. Expenditure on improving the quality and availability of water supplies to poor households, for example, can produce high returns at modest cost and certainly represents a better use of a country's resources than expenditure on curing easily preventable water-borne diseases.

Failing a reorientation of the development strategy, the question arises whether economic growth can be sustained in the face of a deteriorating environment. The answer is that aggregate rates of growth probably can be sustained. Environmental deterioration has not in general reached such a point that it will bring growth to a halt or even reduce the rate of growth markedly, but it definitely is costly and represents a misallocation of scarce resources. In some countries, however - for instance, those which run the risk of exhausting usable supplies of water - environmental constraints may also affect the rate of growth. The more immediate danger is that, if environmental deterioration continues, it may be impossible to sustain the income of the poor. While GDP on average expands, the poorest sections of the community might be faced with falling income, and consequently, greater pressure upon those parts of the physical environment to which they have access and, finally, still lower income in subsequent periods. A *vicious circle* of environmental degradation and falling income for the poor is certainly possible.

5. Environmental Goals for the Year 2000

Environmental damage is not something that will be corrected automatically by the operation of market forces. Intervention by public actors is essential. Sometimes, intervention by a single government will suffice - notably, when a specific problem is limited to a single country. This could take the form of taxes or charges, bans on the use of certain materials and products, or the implementation of environmental standards. At other times, collective action by a group of countries will be necessary, as in the case of transboundary pollution. On still other occasions, global action will be necessary, as in the case of climate change and ozone depletion.

Because of the diversity and the increasing number of environmental problems it is probably not possible to quantify targets for an international development strategy for the 1990s. Priorities can, however, be listed and used as a basis for action, as for instance:

- (a) Restraining land degradation, deforestation and desertification;
- (b) Overcoming the shortage of fresh-water supplies and reducing water pollution;
- (c) Reducing the rate of deterioration of coastal areas and oceans;
- (d) Controlling atmospheric pollution;
- (e) Regulating the production, trade and disposal of hazardous wastes and toxic chemicals.

Each country, no doubt, has its own environmental problems and will have its own priorities for dealing with them, its technical standards and policy measures. But these five problems should perhaps be at the top of the international agenda in the 1990s, and merit priority in the search for collective solutions.

E. Conclusions

1. The Four Themes

It was suggested that an international development strategy for the 1990s should center on the four themes of accelerated and qualified economic growth, greater concern for human development, a reduction in the number of people living in absolute poverty, and the prevention of further deterioration of the natural environment. These themes should be seen not as separate issues, but as four strands of a coherent approach to development policy in the 1990s.

Faster economic growth is absolutely essential in those countries which experienced a fall in average income in the last decade. Growth, however, is not the end of development. One must ask, *growth for what?* The answer we give is that growth should aim at enlarging the capabilities of people, of increasing their freedom to choose. This implies greater concern with human development as an ultimate objective. Moreover, because of the recent neglect of education, health and nutrition the return on expenditure on human development programmes can be expected to be at least as high as the return on ordinary investment.

But one must also ask, *growth for whom?* Our answer is that economic growth, expenditure on human development and, indeed, all social and economic policy should be designed to ensure that the number of people in poverty declines absolutely. This will not happen automatically as a result of faster economic growth. Nor will it occur automatically as a result of a greater emphasis on human development programmes, although that will help. The reduction of poverty and deprivation also will require positive action, and such action, because of the tendency for severe poverty to increase during the 1980s, should be a top priority for the 1990s.

Environmental degradation in the developing countries is frequently a symptom or consequence of poverty. Those who possess neither human capital nor other means of production often have no alternative but to exploit to the full the natural resources (land, forests, fisheries) to which they have access. Poverty thus is a major cause of the deterioration of the physical environment. At the same time, the deterioration of the envi-

ronment accentuates poverty. These two processes interact, and there is the danger that this interaction will be cumulative, producing an accelerating downward spiral of under-development of those who already are impoverished. The sustainability of development for poor people in poor countries therefore to a large extent depends on measures to improve the physical environment.

In these ways the four strands of the suggested international development strategy interact with and reinforce each other. Each strand is worthy of attention in its own right, but the whole is greater than the sum of the parts.

2. Implications for the United Nations System

If a new international development strategy is to be meaningful, it must have the full and coordinated support of the United Nations family. The entire system - the financial institutions (IMF, IBRD, IFAD, the regional banks), the specialized agencies (UNESCO, WHO, ILO, FAO, UNICEF, UNEP), the regional commissions and the United Nations Development Programs (UNDP) - should commit itself to harmonizing its separate activities in support of the objectives of the strategy. If the system as a whole believes in the new strategy, then it must take vigorous steps to facilitate the implementation of the strategy.

Beyond implementation, there is a need for verification. Each country has its own monitoring system, but the United Nations will have a role to play in collecting information from all over the globe and presenting it in such a way that the findings are comparable and can be readily verified. Additional work will be necessary to devise indicators of sustainable development and to introduce instruments for verification.

Monitoring progress and compliance to agreements is important - governments, international agencies, planners and people at large need to know what is going on - but there is no need to set up an elaborate and expensive monitoring and reporting system. What is most important dur-

ing the 1990s is to implement the agreed international strategy so that there will be progress to report.

3. Towards the Year 2000: An International Agenda for Development

An international development strategy for the 1990s will have to address serious deficiencies in the conditions of life for large sections of mankind, and also some glaring shortcomings in the manner in which national and international economic systems are functioning and being managed.

The challenge is daunting; yet, the opportunity for a decisive advance is real. A number of favourable developments are already in train: In developed countries growth is real, albeit modest; in large parts of Asia, major structural changes are proceeding apace and the economic pulse beats vigorously; throughout the world, it appears, policy decisions are taken more pragmatically and there is an opening for a move away from ideological confrontation; in some important respects the "One World" is coming nearer, for instance, through the realization in major creditor countries of the need to come to grips with the debt issues which have so devastatingly affected countries in Africa and Latin America in the 1980s; perhaps most importantly, there is a new climate in international relations which in the 1990s may allow reductions in military expenditures and a re-allocation of resources at present devoted to armaments to activities which improve material and social well-being of the poor.

It is possible to be optimistic about the 1990s and yet realistic. A strategy can be firmly founded on aspirations and activities which characterize today's efforts. The challenge of the 1990s is to maintain and develop this momentum and to use the opportunities available.

Table 1: Rates of growth of global output and income per capita, by region and major countries, 1981 - 1988 (percentages)

	Per capital gross domestic product		Per capita income ^a
	1981-1987	1988	1981-1987
World	1.1	2.7	1.1
Developed market economies	2.0	3.5	2.4
United States	1.7	3.0	1.7
Japan	3.2	5.1	4.2
Western Europe	1.7	3.4	2.0
USSR and Eastern Europe ^b	2.5	3.2	--
Developing Countries ^c	1.0	1.0	0.6
Africa	-3.1	-0.7	-3.9
North Africa	1.0	-0.8	0.2
Egypt	0.6	1.6	-1.4
Sub-Saharan Africa	-3.6	-0.7	-4.1
Nigeria	-6.3	0.3	-6.0
South Asia	2.1	5.1	2.0
Bangladesh	-1.6	-0.7	1.5
India	2.7	7.3	2.7
Pakistan	3.5	2.5	2.7
South-East Asia ^c	6.4	6.5	6.3
China	8.8	10.2	7.8
Indonesia	2.1	2.2	2.4
Three newly industrializing economies ^d	6.5	8.4	7.4
West Asia	-5.5	-1.8	-7.3
Saudi Arabia	-7.5	-1.7	-11.0
Mediterranean	1.6	2.0	1.5
Western hemisphere	-1.0	-1.5	-1.6
Argentina	-1.9	-0.6	-2.7
Brazil	1.1	-1.8	1.4
Mexico	-1.1	-1.5	-2.1
Venezuela	-2.5	0.7	-4.6

Source: Department of International Economic and Social Affairs of the United Nations Secretariat, based on national and international data, and World Bank: *World Tables, 1988*, Washington, D.C., 1989.

a Per capita GDP adjusted for changes in the terms of trade and net factor payments

b Net material product

c Including China

d Hong Kong, Republic of Korea and Singapore

**Table 2: Projected rates of growth of per capita GDP, 1991 - 2000
(percentage per annum)**

	DIESA	ECE	UNCTAD	World Bank
World	1.8	1.6	1.5	1.7
Developed market economies	2.0	2.2	2.0	2.4
USSR and Eastern Europe	3.2	3.3	3.2	-
Developing countries	2.0 ^a	1.5 ^b	1.3 ^a	2.8 ^b
North Africa	2.4	-	-	-
Sub-Saharan Africa	0.0	-	-	0.3
Latin America	1.0	-	1.6	2.2
West Asia	1.3	-	1.5	-
South and East Asia	2.4	-	-	-
Mediterranean	1.4	-	-	-
China	5.5	-	5.1	-

Source: ACC Task Force on Long-Term Development Objectives: *Monitoring Development Progress During the Decade of the 1990s: Economic and Social Indicators in a new Strategy for Development*, February 1989, Table 2, p. 10; *Development and International Economic Co-Operation: Long-Term Trends in Social and Economic Development*, September 1988, Table 10, p. 38.

Note:

DIESA Department of International Economic and Social Affairs
 ECE Economic Commission for Europe
 UNCTAD United Nations Conference on Trade and Development
 a Excluding China
 b Including China

Table 3: Rates of growth of gross domestic investment, 1980 - 1986
(percentage per annum)

Typye of economy	Rate of growth
Low-income economies	13.2
China	19.3
India	4.6
Other low-income	0.4
Middle-income economies	-2.3
Lower middle-income	-3.4
Upper middle-income	-1.9
Highly indebted countries	-6.3
Sub-Saharan Africa	-9.3

Source: World Bank: *World Development Report, 1988*, New York: Oxford University Press, 1988, Table 4, p. 228.

Table 4: Central government expenditure in the developing countries, 1972 and 1986

	1972 (percentage of GNP)	1986	1972 (percentage of central government expenditure)	1986
Total central government expenditures, of which	18.7	26.3	100	100
Military expenditure	2.7	3.3	14.3	12.5
Education	2.2	2.7	12.5	10.3
Health	0.9	1.2	4.7	4.5

Source: World Bank: *World Development Report, 1988*, New York: Oxford University Press, 1988, Table 23, p. 267.

Note: In some large developing countries, central government expenditure excludes significant expenditure by lower levels of government on such things as education.

Table 5: Number of people living in extreme poverty (in millions)

	1980	1985	1995 (projection)
Africa	210	278	405
Asia	562	538	450
Western hemisphere	47	65	58
Total	819	881	913

Source: International Labour Organisation (ILO): "High-Level Meeting on Employment and Structural Adjustment", Geneva, November 1987, p. 17, cited in: Jean Mouly: *Reviving the World's Economic Growth: Chances and Risks*, mimeo, February 1989, p. 4.