



Overview

The lack of political commitment, not of financial resources, is often the real cause of human neglect.

That is the main conclusion of *Human Development Report 1991*. The Report is about financing human development. A single powerful idea runs through it—that the potential is enormous for restructuring national budgets and international aid in favour of human development. The Report concludes that much current spending is misdirected and inefficiently used. If the priorities are set right, more money will be available for accelerated human progress.

The concept of human development—introduced in the first of these Reports last year—established that the basic objective of human development is to enlarge the range of people's choices to make development more democratic and participatory. These choices should include access to income and employment opportunities, education and health, and a clean and safe physical environment. Each individual should also have the opportunity to participate fully in community decisions and to enjoy human, economic and political freedoms.

People's priorities are not fixed for ever. They change over time as circumstances and aspirations change. And they must all be taken together—with no single dimension pursued at the expense of any other. Many policy-makers frequently concentrate on just one dimension—income. But this concentration is at best an oversimplification and at worst a gross distortion of reality.

Men, women and children must be the centre of attention—with development woven around people, not people around development. Moreover, development must be participatory, and for this, people must have the opportunity to invest in the development

of their capabilities—in their health, education and training. They must also have the opportunity to put their capabilities to use—to be fully involved in all aspects of life, to express themselves freely and creatively.

Thus construed, development will help enhance everyone's individual and social space—with two caveats. One is that the essence of society is not unrestricted satisfaction of individual choices, but the respect for everybody's potential, possibilities, needs and interests. The second is that options for the present generation should not be increased by compromising the options for future generations. In short: development must be sustainable.

The first *Human Development Report* stressed that human development is clearly possible. This much is evident from the progress of the past three decades. Judged by such basic indicators as life expectancy and adult literacy, development has had successes. Average life expectancy in the developing countries increased by 16 years, and adult literacy by 40%. True, a quarter of the people in the developing world still lack many basic necessities. But if development priorities are properly set and political commitment is followed by action, the remaining agenda is manageable.

Human development requires economic growth—for without it, no sustained improvement in human well-being is possible. But while growth is necessary for human development, it is not enough. High growth rates do not automatically translate into higher levels of human development. And firm policy action is required to forge a closer link between economic growth and human development.

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critical to economic growth. This two-way link must be at the heart of any enlightened policy action.

The 1990 Report argued that the developing countries have the resources to meet many of their development goals. This Report takes the debate a stage further by showing the potential for restructuring national budgets and foreign assistance to meet human needs.

Those needs are still substantial—above all in developing countries, as this year's review of the state of human development points out:

- *Poverty*—Over one billion people live in absolute poverty.
- *Nutrition*—Some 180 million children, one in three, suffer from serious malnutrition.
- *Health*—One and a half billion people are deprived of primary health care. Nearly three million children die each year from immunizable diseases. About half a million women die each year from causes related to pregnancy and childbirth.
- *Education*—About a billion adults cannot read or write. Well over 100 million children of primary school age are not in school.
- *Gender*—Disparities between men and women remain wide, with female literacy still only two-thirds that of males. Girls' primary enrolment rates are a little over half that of boys', and much of women's work still remains underpaid and undervalued.

People in all developing regions share these problems, but the most urgent problems tend to differ. In Latin America, South Asia and the Arab States, poverty is reinforced by the very unequal distribution of assets. The squeeze of external debt servicing on the resources available for human development is particularly severe in Latin America. In Africa, almost two-thirds of the people lack access to safe water, and fewer than half the children attend primary school. The problem of absolute poverty is increasingly concentrated in Africa. Even in East and South-East Asia, where overall economic growth has been fast, half the people still lack access to safe water and basic health care.

In the industrial countries of the North, average income is much higher than in the South, and almost everyone has access to basic social services. But human deprivation

and distress have not disappeared. Indeed, the analyses for the industrial countries and the developing countries show many points of similarity, although the extent and character of deprivation are different:

- *Poverty*—Over 100 million people live below the poverty line in the industrial market economies. If the USSR and Eastern Europe are included, the number is at least 200 million.
- *Unemployment*—In ten industrial countries, the rate is between 6% and 10%, and in another three it is beyond 10%.
- *Gender*—Female wages are, on average, only two-thirds those of men, and women's parliamentary representation is but a seventh that of men.
- *Social fabric*—In many industrial countries, the social fabric continues to unravel fast—old cultural and social norms are disappearing, with nothing cohesive to take their place. The all-too-frequent result is isolation and alienation. There is evidence of high rates of drug addiction, homelessness, suicide, divorce and single-parent homes.

Human development is a unifying concern—for both the developing and the industrial countries. So, too, is the question of development's sustainability. Each generation must meet today's needs without incurring debts it cannot repay: financial debts, by overborrowing; social debts, by neglecting to invest in people; demographic debts, by allowing unchecked population growth; and environmental debts, by exhausting natural resources.

Last year's Report introduced the human development index (HDI)—a more realistic statistical measure of human development than mere gross national product (GNP) per head. The HDI merged income with life expectancy and literacy to give an overall figure and ranking.

This year, a series of refinements to the HDI improve and extend the original concept in the following areas:

- *A new HDI ranking*—Knowledge is now measured more broadly, not just by adult literacy but also by mean years of schooling. Moreover, income beyond the poverty level is no longer considered to make no contribution and thus is given not a zero weight but a progressively diminishing weight.

The modified HDI leads to many interesting conclusions. Among the industrial countries, Japan still enjoys the highest rating, and Romania is at the bottom. Among the developing countries, Barbados leads the HDI ranking, with Sierra Leone in the lowest position.

For 26 countries, the human development index rank is 20 or more places lower than the per capita income rank, showing that they have considerable potential to improve their human development levels by spending their national incomes more wisely.

- *Gender disparities*—Separate HDIs have been prepared for women and men for 30 countries having enough information. They show that gender disparities are wide in most developing countries. In Kenya, the female HDI is only half the male HDI. In the industrial countries, gender disparities have narrowed (especially in basic education)—but they are still wide in tertiary education, labour force participation and wage rates. In Japan, the share in national income that females earn is only 26% that of males.

The gender-sensitive HDI, developed on the basis of the female and male HDIs, confirms previous findings. Gender discrimination is a worldwide problem. It is especially harsh where resources are scarce—in the poorer developing countries. But even countries like Japan and Switzerland see their HDI values plummet when gender disparities are taken into account.

- *Income distribution*—For countries with wide gaps between rich and poor, national averages are misleading. So, HDI estimates sensitive to income distribution have been prepared for 53 countries. These indicate that the value of human development achievements diminishes greatly when they are unequally shared. The HDIs in several countries—including Nepal, Brazil and Côte d'Ivoire—drop by more than 10% when adjusted for income distribution, and a fifth of the countries drop by more than 5% when similarly adjusted.

- *Human progress*—An attempt to measure changes in human development over time (between 1970 and 1985) shows that many of the least developed countries in Africa made good progress in human development during 1970–85, even when their per capita

GNP growth rate was low or negative.

- *Human freedom*—A human freedom index (HFI) is presented for 88 countries. Although much further research is necessary, a first, tentative conclusion can be drawn: high levels of human development tend to be achieved within the framework of high levels of human freedom.

The signs for further progress are encouraging: Half the countries (14 of 38) that ranked low on human freedom in the mid-1980s have since made important strides towards democracy. Human development stands to gain from this. Its very objective of increasing people's choices could not be achieved without people actually being free to choose—what they want to be and how they want to live.

All these improvements make the HDI more useful and give a better understanding of the patterns of socio-economic progress. But they are still only first steps in a continuing process of refinement. There is some way to go before the HDI can be confidently used to interpret reality and make key policy decisions.

Returning to the major theme of this year's Report—the financing of human development—the main conclusions are as follows.

1. Economic growth for human development

The best way to achieve human development is to promote more equitable economic growth and more participatory development.

During the 1980s, countries throughout the world increasingly relied on private initiative and market mechanisms to promote faster economic growth and improve quality of human life. The moving agents behind this growth are manifold. Among the more important are the many small businesses that provide income for the rapidly growing labour force, stimulating private savings and enabling investments to increase people's productivity.

The best way to promote human development is to increase the national income and to ensure a close link between economic growth and human well-being. This approach is exemplified, in part, by the recent experience of newly industrializing economies of East Asia. Their efficient, broadly based and

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employment-intensive economic growth was backed by social services for those who for various reasons were unable to earn their own living.

The need for economic growth, private enterprise and participatory development is also exemplified by the experience of the countries of Eastern Europe, which engaged in high public spending and ignored the need for mobilizing private initiative, while limiting economic and political freedoms. They have since changed. Now their policies focus on privatizing state enterprises, promoting small and medium-size enterprises and attracting foreign investment.

Growth is particularly needed where it has been lacking. For many of the least developed countries, sustained human development cannot be envisaged without a broad range of actions to increase people's capabilities and opportunities. This involves not only mobilizing and developing human capacities but also investing in order to expand and diversify the economic base—and eliminating the barriers to equal opportunity. The emphasis should be on creating profit incentives for farmers and small enterprises—and on rural development, infrastructure building and sustainable development.

Without such action, no human development can be sustained in the longer run. Economic growth has to reach people, and people have to contribute to growth. Both nationally and internationally, economic growth with human development will, in the longer term, depend on achieving a better match between economic opportunities and people's needs.

Today, 77% of the world's people—in the South—earn only 15% of the world's income. For them, the external shocks and deteriorating terms of trade have been devastating. In the highly indebted middle-income countries and in Africa, the terms of trade have worsened by almost 25 percentage points over the past decade. The plight of the least developed countries in trade is even worse—with their share in world exports declining by two-thirds, from 1.5% to 0.5%, between 1965 and 1988. Nor are their prospects bright, given their lack of economic diversity and their weak capacity to react to (positive and negative) external shocks and

changing international markets.

These serious trends need urgent attention. The main task is to invest in people, liberating their initiative. Another is to open global opportunities—to increase the productivity and competitiveness of developing countries, especially the least developed.

2. Optimizing human expenditure

Adequate income-earning opportunities—and properly directed public spending on human priority needs—are essential components of the path to human development.

Not all countries may be able to emulate the employment-intensive growth of the newly industrializing economies of East Asia. Many countries face slow or stagnant economic growth. And many may find it difficult in the short and medium term to correct inequitable patterns of income distribution through such measures as land reform. Population pressure on scarce developmental opportunities and social services would continue even if more determined efforts were made to check population growth.

Policy action is required to meet all these challenges—through private and public spending.

People should, above all, be enabled to spend on social services. Data on private spending on human development are scarce. But for the countries having information, private social spending often exceeds the public. And the figures on private spending do not even reflect the in-kind contribution of household members, particularly women, to human development.

While private spending on human development is quite important in both developing and industrial countries, the public sector often plays a critical, complementary role, especially where incomes are low and basic human needs would otherwise remain unmet. But public action in support of human development can take several forms. It can be policy action aimed at activating private initiative. It can be the provision of public finance to subsidize privately run services. Or it can be public finance for publicly run programmes. Whatever the approach or mix of strategies adopted, past development experience shows that markets alone cannot

ensure good human development; and neither can overextended public sector spending, because it is not sustainable.

3. Restructuring national budgets

Nearly \$50 billion a year—about 2% of the GNP of the developing countries—could be released for more productive purposes. Much of this could come from freezing military expenditure, which absorbs 5.5% of the GNP of the developing world. In some of the poorest countries, this spending is at least twice that on health and education—as in Angola, Chad, Pakistan, Peru, Syria, Uganda and Zaire.

Added savings could come from:

- *Halting capital flight*—For the Philippines, capital flight was equal to 80% of its outstanding debt between 1962 and 1986. In Mexico and Argentina, an amount equal to at least 50% of the money borrowed in the past 15 years has flown out again.
- *Combating corruption*—In Pakistan, the illegitimate private gain from one's public position is unofficially estimated at 4% of GNP. Estimates of corruption are even higher for many other countries.
- *Reforming public enterprises*—The losses public enterprises make in Cameroon, for example, exceed the total oil revenue of the government.
- *Reducing internal policing*—Increased attention to human development could, in many countries, reduce socio-economic disparities, crime, political pressures and the need for policing.

All these issues are very much in the hands of the developing countries, which have to make more sensible use of their funds—and stop preventable losses from their debt-strapped economies.

But one major element of restructuring—external debt—is largely outside their control. For many countries, external debt now exceeds their total GNP—including Laos, Egypt, Bolivia and Mozambique.

Debt repayments take a large share of government budgets. The Philippines spend 36% of its central budget on debt servicing—compared with 22% for social services. Jordan devotes 39% to debt service and 18% to social services. Mexico spends 20% on debt

service and 18% on social services.

These high percentages give some indication of the funds that reducing the burden of external debt could release. But another issue is equally pressing: internal debt.

Internal debt, money owed by a government to its citizens in its own currency, has not received much international attention. Yet the internal debt now exceeds the external debt for many countries—including India, Pakistan, Malaysia, Singapore and the Philippines.

Developing country governments could take many steps to ease the internal debt burden: reducing budgetary deficits, lowering interest rates, swapping debt for equity in public enterprises, introducing a withholding tax on interest yields and indexing capital values in exchange for reduced current interest payments. But each leads to many painful choices.

Countries that restructure their national budgets need a clear strategy and a concrete plan of action. They have to analyse the institutional and political obstacles to reform—and design realistic proposals for overcoming them.

Such policies and strategies should not be confined to developing countries. The rich countries, too, have made puzzling decisions on the allocation of national resources. Some of them steadily reduced their spending on social priority areas during the 1980s. True, the private spending on human development in these countries is considerable. But complementary public funding could have helped tackle urgent social problems, ranging from homelessness to drug addiction, from pollution to the decline of public transport systems. Achieving the proper balance between private and public spending—and *within* public spending—is critical for many industrial countries in tackling the accumulating social and human agenda.

4. Reallocating social expenditures

To develop a sound basis for analysing public spending on human development, countries should monitor four ratios:

- *The public expenditure ratio*—the percentage of national income that goes into public expenditure.

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The human expenditure ratio should become one of the principal guides to public spending policy

- *The social allocation ratio*—the percentage of public expenditure earmarked for social services.
- *The social priority ratio*—the percentage of social expenditure devoted to human priority concerns.
- *The human expenditure ratio*—the percentage of national income devoted to human priority concerns.

The human expenditure ratio is the product of the first three ratios. A powerful operational tool, it allows policy-makers who want to restructure their budgets to see clearly the available options.

If public expenditure is already high (as in many developing countries) but the social allocation ratio is low (as in Indonesia), the budget will need to be reassessed to see which areas of expenditure could be reduced. Military spending, debt servicing, prestige projects and loss-making public enterprises would all be likely candidates.

If the first two ratios are comparatively high but the ultimate human development impact is low (as in Pakistan), the social priority ratio must be increased. For the poorest countries, this is likely to involve arranging a better balance between curative hospitals and primary health care, between universities and primary schools, and between focusing attention on the cities and on the rural areas, where the majority of poor people live.

If the problem is a low public expenditure ratio (as in Bangladesh), raising this—and therefore raising revenue—could be an essential part of the strategy.

Careful examination of the human expenditure ratios for many developing countries suggests several policy conclusions:

- The human expenditure ratio may need to be at least 5% if a country wishes to do well on human development.
- Countries can achieve this in different ways, both efficient and inefficient. An efficient option is to keep the public expenditure ratio moderate (around 25%), to allocate much of this to the social sectors (more than 40%) and to focus on the social priority areas (giving them more than 50%). An inefficient option is to withdraw a large part of national income into the public sector, to depress private investment and initiative and to restrict economic growth and resource ex-

pansion. In several cases, total public expenditure can be cut (perhaps encouraging more private investment) and yet the government can spend more money on human concerns.

- Government spending need not be extensive if GNP growth is high and rather equitable—or if the private sector and non-governmental organizations (NGOs) are extremely active in social spending.

- High government spending with low social priorities is the worst case. If over 25% to 35% of national income is channelled through the government budget, and yet less than 2% of GNP goes into human priority concerns (as in Brazil, Thailand and Sierra Leone), this is the worst of all possible worlds. The public sector is huge, yet the majority of the people do not gain.

- Several countries have moved beyond basic priorities. Mauritius, Sri Lanka, Singapore, Argentina and the Republic of Korea may have only a moderate human expenditure ratio when the priorities considered are basic ones. But they already have high levels of human development and can therefore shift their focus to social services at the higher levels.

The human expenditure ratio should become one of the principal guides to public spending policy. But a high public expenditure ratio can be avoided. When resources are tight, greater attention must be paid to allocation priorities and efficiency in spending. It is wrong, however, to confuse a plea for greater efficiency with indifference to economic growth or the mobilization of additional resources. It is ultimately the actual level of human expenditure per head that really counts. But the best argument for having more resources go to human development is to spend the existing resources well.

5. Cost savings and efficiency

Most countries could use existing resources more efficiently—by adopting more decentralized, participatory approaches to development, by making prudent economies and reducing unit costs, by charging many users for the benefits they receive and by encouraging private initiative in both the financing and delivery of social services.

Many countries have adopted measures

along these lines. There now is an international body of experience from which everyone can learn something relevant to their own circumstances. Here are just a few of the lessons.

- *Involving the community*—A community self-help water programme in Malawi—in which the government provides equipment and training, and the community provides labour for construction and maintenance and local leaders are involved in planning and design—benefits over one million people.

- *Involving NGOs*—It is often taken for granted that the provision of social services is the government's responsibility. This need not be so. The current trend is towards greater involvement of private organizations in the provision of services. The trend is towards choices and away from standardization, towards smaller-scale and away from centralization. NGOs are important in all this. The Bangladesh Rural Advancement Committee (BRAC) schools in Bangladesh provide primary education annually for only \$15 per pupil. The cost has been kept down in several ways—among them, involving village leaders and parents, using simple classrooms and allowing some instruction to be given by teachers who have limited training.

- *Improving management*—Simple management changes in the principal hospital in Malawi could lead to savings of two-fifths in recurrent non-salary expenditures.

- *Using double-shift schools*—Zambia has used double (and even triple) shifts in classrooms to reduce its capital costs in education by almost half.

- *Concentrating on basic drugs*—Average medicine consumption in developing countries was \$5.40 per head in 1985. Yet basic and essential drugs need cost only \$1.00 per head, and an even more basic list could be provided for \$0.25.

- *Food subsidies*—An important social service in many developing countries, food subsidies can be a vital tool for transferring income to the poor and for improving their nutritional status. The challenge is to target the subsidies so that they support the nutrition of the poor most efficiently. There are trade-offs, of course: the more narrowly targeted a programme, the greater the risk that some of the most vulnerable may be missed.

Subsidizing basic commodities that are mainly consumed by the poor, providing free school meals and distributing food through health clinics can be very effective and efficient.

- *Cheaper technology*—A pump and well-construction project in India now allows people to pump water from a deep well for capital costs of less than \$1.00 a year per user.

Limited funds can be stretched by exploiting these ideas and others. The potential for achieving both greater efficiency and greater effectiveness is clear when one looks at the costs for the same services in different countries.

Another approach to reducing costs for the public sector is to charge users for the services they receive. User charges have produced mixed results in developing countries, so far recovering only a modest proportion of costs. Their success or failure often depends on the sector in question. User fees for transport and communication appear to have fewer disadvantages than user fees in the social sectors.

In most African countries, user fees have recouped less than 5% of government expenditure on health—the higher performers being Ethiopia (12%), Mauritania (12%) and Ghana (15%). In most Asian countries, fees have recovered less than 5% of primary education costs. Only in secondary and higher education are the recovery rates beyond 10%.

One problem is that even modest charges can exclude users from the services. So, many governments prefer to offer primary health care and primary education free—partly as a public good, partly to enhance equality of opportunity, but mainly to meet the basic needs of their citizens.

The review of development experience shows that the following principles are useful in designing human development programmes:

- *Primary education*—Primary education is a basic human right and should be provided free. There is also a case for providing public secondary education free. But tertiary education is a different matter: it is expensive and covers only a small proportion of the population, generally from the upper income groups. User charges may therefore be appropriate here—if they are combined with a system of

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loans and scholarships for the needy.

- *Health care*—Access to primary health care should be universal and free. Governments should aim to make savings in this area by adopting an essential drugs programme, based on competitive bidding on the open market—and on making the distribution system more efficient. They should nevertheless charge for certain kinds of hospital treatment.
- *Water and sanitation*—Cross-subsidies should be introduced, with poorer neighbourhoods paying less for their services, and richer areas more.
- *Local use of revenue*—If charges are made for any service, the revenue should be used to benefit priority services, especially at the community level, so that people can see an improvement in the services they pay for.

6. International aid

Aid programmes offer great potential for restructuring. The pay-off could be enormous. If only one-third of today's aid were committed to human priority areas, the aid allocation to these areas would increase fourfold.

Aid budgets, like government expenditure, can be analysed through four ratios:

- *The aid expenditure ratio*—the percentage of a donor's GNP going to development aid.
- *The aid social allocation ratio*—the percentage of each donor's aid that goes to the social sectors.
- *The aid social priority ratio*—the percentage of social sector aid committed to human priority areas.
- *The aid human expenditure ratio*—the product of the three foregoing ratios, and thus the percentage of a donor's GNP going to human priority areas in recipient countries. For aid donors as a whole, this is a tiny figure—0.026% of their combined GNP.

The arithmetic is simple. The official development assistance (ODA) for all countries currently represents 0.3% of their combined GNP. Of this, 23% went to social sectors in 1989, and of the social sector spending, 37% went to human development priority areas. In education, only 7% went to primary schooling. In health, only 27% was for primary health care. And in water supply and sanitation, only 19% went to rural areas.

These averages naturally conceal significant differences among donors. The Nordic countries devote over 0.9% of their GNP to aid, and their aid human expenditure ratios range between 0.05% and 0.11%—many times the overall average for donors. The USA, by contrast, commits only 0.15% of its GNP to aid. And much of this goes as defence support to Israel, Egypt, Turkey, Pakistan and the Philippines. As a result, its aid human expenditure ratio is only 0.01%.

Some people argue that it does not matter if aid itself misses priority targets, that any aid will permit the recipient government to release funds to spend elsewhere. Plausible in theory, this is often wrong in practice.

For many poor countries, aid constitutes such a high proportion of their development budgets that aid priorities inevitably become development priorities. In Burundi, aid provides 56% of the total expenditure on health and education, and the proportion is also high in Chad (53%), Uganda (48%), Somalia (38%) and Ethiopia (35%).

Finance ministers of developing countries are, in any case, unlikely to respond well to such arguments. They are reluctant in the best of times to undertake social expenditures—which offer little immediate financial return and which demand recurring expenditure long into the future. Ministers can hardly be encouraged to increase social spending if donors are also reluctant to finance recurring expenditure—and prefer instead to give money for capital-intensive schemes that just happen to require machinery and technical assistance from the same donor countries.

Of all the categories of development aid, technical assistance is the ripest for reassessment. Africa receives \$6 billion in technical assistance each year, and the figure is rising. While Asia received less than \$5 of ODA per person, Africa receives over \$22 per person. Yet Africa still has some of the lowest human development levels in the world.

The problem is that too much is often being spent on foreign expertise and too little on building up local institutions and mobilizing national expertise.

If the main focus of technical assistance were to build up national capacity, this would do more than reduce the costs of assistance. It would also release millions of dollars for

more productive purposes. And it would, no doubt, enhance the effectiveness of aid.

The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) could become the focal point for restructuring aid budgets. Its Secretariat could contribute much by thoroughly analysing the impact of existing aid priorities on the human development levels of recipient countries. It could also help by publishing regularly the aid social allocation ratio, as well as the aid social priority ratio, for each donor.

Improved data availability and greater budgetary transparency will be critical to shifting external assistance towards human development—especially during periods of aid stagnation. They will help strengthen the arguments of those who want to narrow the gap between policy priorities and budgetary priorities.

7. Political strategy

However large the scope, restructuring for human development is likely only with a workable political strategy.

If resources are poorly distributed, the cause generally is political. Protected interests and power structures—military establishments, urban and rural elites, corrupt bureaucracies—all can cause maldistribution.

Restructuring can, therefore, take place only if political pressures are successfully mobilized in its favour. There is no primer for serious policy-makers committed to a fundamental restructuring of their economic and political systems; they normally find their own routes. But experience suggests some general approaches that can foster a gradual, reformist programme.

- *Encourage democratic freedom*—If a society is free, influence does not always require affluence. Democracy is a valuable ally of *all*. The poor have thus often done well in countries with multiparty systems and free elections. A Latin American example is Costa Rica. In Africa: Botswana and Mauritius.
- *Invoke common interests*—Basic social services like primary health care have many advocates, and spreading the message is generally the key to even wider acceptance. Once it is fully recognized how cheap many options

are, and how they can benefit the whole society, most opposition melts away. Immunizing a child against the six leading child-killing diseases costs only \$0.50 a year, and oral rehydration against diarrhoea costs only \$0.10.

- *Compensate powerful groups*—Sometimes the reallocation of resources to the poor can only be accomplished by offering sweeteners to the rich. Many food subsidy schemes, for example, have been allowed to reach the not-so-poor to make implementing the whole programme politically palatable—as at various times in Morocco, Sri Lanka, Colombia and Egypt.

When tough policy measures are taken, they often need to be accompanied by some compensatory action. In Ghana in the late 1980s, adjustment was accompanied by a variety of compensatory interventions, including public works and health and nutrition programmes.

- *Empower weaker groups*—The best way to achieve this is to decentralize decision-making and to allow people full participation in planning and implementing programmes that affect their lives—as demonstrated by such community organizations as the Carvajal foundation in Colombia, and by the Six-S movement in West Africa.
- *Channel credit to the poor*—Access to credit is another means of access to power. Credit is too often denied to the poor in developing countries—even though it is an easy way to offer support, and even though it is less likely to run into political opposition than other forms of assistance because it engages the poor in the productive process. Such support has done much in Ghana, Rwanda, Cameroon and the Philippines.
- *Allow a free press*—The media can be a powerful ally to more participatory development—and to the poor. Some suggest that you cannot have a famine in a country with a free press. The reason is that an uncensored press makes it much more difficult to conceal dramatic social problems.
- *Coordinate external pressures*—External development partners can often raise sensitive political issues, such as those surrounding land reform or military expenditures. Some donors might be reluctant to do so, preferring to forge an alliance with the government rather than with the people. But

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Developing countries can save over \$10 billion a year by merely freezing their military expenditure at current levels

structural reform could provide an opportunity to take a more positive role. If donors were to press for these kinds of reform, they would probably discover many allies in the developing countries—and achieve changes much greater than the marginal improvements they usually settle for. The recent focus of the IMF and the World Bank on military expenditures is a case in point.

8. National compacts for human development

Governments can base their plans for the next decade on comprehensive and realistically costed national strategies for human development.

The Report suggests a four-point agenda for such strategies:

- *A human development profile*—which spells out past achievements, continuing human deprivation and disparities and future goals.
- *Identified and costed targets*—to put human development into practice. These targets should be accompanied by alternative approaches that have been reviewed and costed—and that show what is financially and politically feasible over a specified period.
- *Budget restructuring plans*—to maximize the human expenditure ratio and strengthen the case for additional resources, nationally and internationally.
- *A viable political strategy*—to help develop a national consensus on, and public support for, economic and social reform.

9. A global compact for human development

The world community can establish a global compact for human development—one that puts people at the centre of every issue.

We are a global community in every sense. Not just economically interdependent, but sharing a common environment—and exposed to common risks of war and social dislocation. Consider the damage that will be done if we do not fully accept this. Global trade and economic growth will suffer. The environment will be further degraded. Wars will break out to settle unresolved tensions.

Millions deprived of economic opportunity will migrate in search of a better life.

A global compact for human development should be based on the recognition of the need for a new human order. Each issue should be analysed for its impact on people, designed around the following central components:

- *Realistic human goals for the year 2000*—Human goals for the year 2000, based on the national human development strategies suggested earlier, would include universal primary education, primary health care, family planning, safe water for all and the elimination of serious malnutrition. The additional costs of these goals are estimated at around \$20 billion a year. Just as important though, will be economic targets—particularly the expansion of productive, remunerative and satisfying employment opportunities.
- *A peace dividend*—Most of the additional costs could be met from cuts in military spending. If industrial countries were to reduce their military spending by 3% a year, this could provide \$25 billion a year. And if developing countries merely freeze their expenditure at current levels, this would save potential future increases of over \$10 billion a year. With these and other resources, the developing and industrial countries could agree on a notional sharing of the additional costs of human development in the 1990s—say, in a ratio of two-thirds for the developing countries to one-third for the industrialized.
- *Aid, a mutual commitment*—Donor countries can reassess their aid priorities and commit themselves to the support of human development. For countries keen on advancing human development, the way could be open to a new and productive era for official development assistance—one based on a mutual commitment to human development. Requests for aid should include plans to cut back military budgets and to increase the human expenditure ratio. Donors could offer human adjustment assistance to smooth the potentially difficult socio-economic transition.
- *Debt, trade and foreign investment*—A favourable international economic environment is essential for advancing human development and sustaining it through economic growth. For this, it is necessary to resolve the

international debt crisis, to restore adequate capital flows on acceptable terms to the developing countries, and to create an open world trading community, in which exports from developing countries have greater access to the markets of the industrial countries.

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Human Development Report 1991 lays the foundations for a fresh set of priorities. It explains how they can be chosen, how they can be assessed—and why we can afford to pay for them.

Future reports will build on this foundation. The aim will be to refine further the concepts and the methods of measurement—

and to distil more practical experience from many countries. Another aim will be to do more research and analysis on participatory development and to examine the global dimensions of human development, looking at familiar international issues from a human perspective.

The final message of this year's Report is one of hope. If the obstacles to human development lie in the paucity of resources, in insuperable technical barriers, the task would be hopeless. We know instead that it is too often a lack of political commitment, not of resources, that is the ultimate cause of human neglect. If we can mobilize the political base for action—nationally and globally—the future of human development is secure.

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