

HUMAN DEVELOPMENT REPORT 1994



Published
for the United Nations
Development Programme
(UNDP)

New York Oxford
Oxford University Press
1994

Oxford University Press
Oxford New York Toronto
Delhi Bombay Calcutta Madras Karachi
Kuala Lumpur Singapore Hong Kong Tokyo
Nairobi Dar es Salaam Cape Town
Melbourne Auckland

and associated companies in
Berlin Ibadan

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1 UN Plaza, New York, New York, 10017, USA

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ISBN 0-19-509170-1 (paper)
ISBN 0-19-509169-8 (cloth)

9 8 7 6 5 4 3 2 1

Printed in the United States of America on acid-free, recycled paper. 

Cover and design: Gerald Quinn, Quinn Information Design, Cabin John, Maryland

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Foreword

Behind the blaring headlines of the world's many conflicts and emergencies, there lies a silent crisis—a crisis of underdevelopment, of global poverty, of ever-mounting population pressures, of thoughtless degradation of environment. This is not a crisis that will respond to emergency relief. Or to fitful policy interventions. It requires a long, quiet process of sustainable human development.

Sustainable human development is development that not only generates economic growth but distributes its benefits equitably; that regenerates the environment rather than destroying it; that empowers people rather than marginalizing them. It is development that gives priority to the poor, enlarging their choices and opportunities and providing for their participation in decisions that affect their lives. It is development that is pro-people, pro-nature, pro-jobs and pro-women.

It is a great contribution of the *Human Development Reports* that they have stimulated international dialogue on such models of development. The 1994 Report continues this tradition and takes it a step further. It explores the new frontiers of human security in the daily lives of the people. It attempts to discover early warning signals that can spur preventive diplomacy and preventive development in order to save a society from reaching a crisis point. It outlines a new design for development cooperation in the post-cold war era. And it suggests a concrete agenda for the consideration of the World Summit for Social Development that is to meet in Copenhagen in March 1995.

The forthcoming Social Summit offers us a unique opportunity to redefine humanity's development agenda. The Summit will be a time to respond to the new compulsions of human security. It will be a time to reiterate very clearly that without the promotion of people-centred development none of our key objectives can be met—not peace, not human rights, not environmental protection, not reduced population growth, not social integration. It will be a time for all nations to recognize that it is far cheaper and far more humane to act early and to act upstream than to pick up the pieces downstream, to address the root causes of human insecurity rather than its tragic consequences.

From such a diagnosis, it follows that the role of the United Nations must be strengthened significantly in the development field. The peace agenda and the development agenda must finally be integrated. Without peace, there may be no development. But without development, peace is threatened.

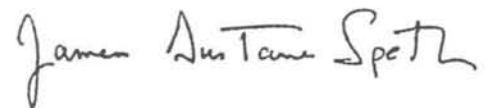
There is an urgent need today to establish a more integrated, effective and efficient UN development system to promote the worldwide movement towards sustainable human development. For this purpose, the UN system requires a clearer mandate, integrated policy frameworks and additional resources.

It is our principal goal to restructure and strengthen UNDP so that it can make a critical contribution to these new imperatives of sustainable human development—from assisting countries in the formulation of their own development strategies, to help-

ing donor nations reflect this new development perspective in their aid allocations, to launching global policy initiatives for new designs of development cooperation, to working closely with other UN development programmes and agencies in identifying common missions and complementary approaches so as to help our member countries realize their sustainable human development goals. In other words, we are now poised in UNDP to move from the basic messages of the *Human Development Reports* to their concrete operationalization.

It is in this spirit that I present the *Human Development Report 1994* to the in-

ternational community. As always, the views set forth in this Report have emerged from the candid, professional analysis of an eminent team working under the able guidance of Mahbub ul Haq, my Special Adviser and the Report's chief architect. They do not necessarily reflect the views of UNDP, its Executive Board or other member governments of UNDP. We have always respected the intellectual independence and professional integrity of these Reports. But there is no question in my mind that the Report will exercise a profound influence on global policy dialogue and on UNDP's future operations.



James Gustave Speth

New York
March 16, 1994

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Acknowledgements

The preparation of the Report would not have been possible without the support and valuable contributions received from a large number of individuals and organizations.

The authors would like to thank the agencies and offices of the United Nations system who generously shared their extensive practical experience, studies and statistics. The statistical elements of the Report are drawn from the databases and material from the United Nations Statistical Division, United Nations Population Division, United Nations Centre for Social Development and Humanitarian Affairs, Office of the United Nations High Commissioner for Refugees, United Nations Research Institute for Social Development, United Nations Economic Commission for Africa, United Nations Economic and Social Commission for Asia and the Pacific, United Nations Economic Commission for Europe, United Nations Economic Commission for Latin America and the Caribbean, United Nations Economic and Social Commission for Western Asia, ACC Subcommittee on Nutrition, Food and Agriculture Organization of the United Nations, International Fund for Agricultural Development, International Labour Organisation, International Maritime Organization, International Postal Union, International Telecommunication Union, International Trade Centre, United Nations Children's Fund, United Nations Educational, Scientific and Cultural Organization, United Nations Environment Programme, United Nations Population Fund, United Nations Industrial Development Organization, World Food Programme, World Health Organization, International Monetary Fund, World Bank, Organisation for Economic

Co-operation and Development, Statistical Office of the European Communities, International Centre for Urban Studies, Inter-Parliamentary Union, Macro International Inc. (DHS), Penn World Tables, Stockholm International Peace Research Institute, US Arms Control and Disarmament Agency, World Resources Institute and World Priorities Inc.

The authors would also like to thank the many individuals who contributed special studies to the Report. They include Sam O. Adamu, Li An, Tengku Aziz, Russel Lawrence Barsh, Bréhima Bérédogo, Keyla Betancourt, Rundheersing Bheenick, Lech Boleslawski, Michael Brzoska, Cristovam Buarque, Radhika Coomaraswamy, Christopher Cosslett, Joseph DiChiaro, Heba El-laithy, Ping Fan, Oscar Fresneda, Mouza Ghubash, Brigitte Hamm, Esther Hanoomanjee, Ralph M. Henry, Michael Hopkins, Angang Hu, Helena Jakubowska, Ruth Klingebiel, Jeni Klugman, Atul Kohli, Michiko Kuroda, Soonwon Kwon, Yeah Kim Leng, Lexi Lenton, Peilin Li, Jianhua Lu, Neva Seidman Makgetla, Gustavo Márquez, Marina Mayer, Jadwiga Mijakowska, Sizwe Mmatli, Petra Müller, Vidula Nababsing, Nehemiah K. Ng'eno, Heinz-Herbert Noll, Franz Nuscheler, Jean Christian Obame, Andrzej Ochocki, Bade Onimode, Fanny Ortiz, Mmakgoshi Phetla, Won Hee Rhee, Kanchana Ruwanpura, Harald Sander, John Shaw, Selby Shezi, Elizabeth Sköns, Dan Smith, Jamil Sofi, Austregésilo Gomes Spíndola, Gabriele Winai Ström, LaMond Tullis, Adam Wagstaff, Rusong Wang, Yoon-Ha Yoo and Cai Zhizhou.

Several UNDP offices provided invaluable information and data that were not

otherwise available from international sources. They include UNDP's country offices in Algeria, Argentina, Bolivia, Brazil, Cameroon, China, Colombia, Costa Rica, Ecuador, Egypt, Fiji, Gabon, Ghana, Indonesia, Iran, Kuwait, Kyrgyzstan, Lao People's Democratic Republic, Latvia, Lesotho, Malawi, Malaysia, Mali, Mongolia, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Paraguay, Poland, Republic of Korea, Saudi Arabia, Senegal, South Africa, Tanzania, Thailand, Trinidad and Tobago, Tunisia, United Arab Emirates and Venezuela. UNDP's Regional Bureaux, the Bureau for Programme Policy and Evaluation and the United Nations Development Fund for Women also generously provided the team with information and data. The Office for Project Services provided continuous administrative support.

The team is also indebted to colleagues in UNDP who provided useful comments and suggestions during the drafting of the Report. In particular, they would like to express their gratitude to Stephen Adei, Ali Attiga, Denis Benn, Sharon Capeling-Alakija, Shabbir Cheema, Judy Cheng-Hopkins, Desmond Cohen, Ad de Raad, Yves de San, Søren Dyssegaard, Gustaf A. Edgren, Anne Forrester, Peter Gall, Luis Maria Gomez, Luis Gomez-Echeverri, Jean-Jacques Graisse, Reinhart Helmke,

Nadia Hijab, Arthur Holcombe, Bruce Jenks, Ellen Johnson-Sirleaf, Henning Karcher, Bahman Kia, Üner Kirdar, Anton Kruiderink, Carlos Lopes, Elena Martinez, Paul Matthews, Toshiyuki Niwa, Linda Pigon-Rebello, Rajeev Pillay, Elizabeth Reid, Ingolf Schuetz Mueller, Ivo Pokorny, Per Arne Stroberg, Sarah L. Timpson, Clay Wescott, David Whaley and Fernando Zumbado.

Secretarial and administrative support were provided by Renuka Corea, Flora Aller, Gabriella Charles and Karin Svadlenak. The team was assisted in background research by Nicole Blakely, Sandeep Kakar, Ulrike Neuhauser, Jasmine Rajbhandary and Maria Ventegodt.

The team has benefited greatly from intellectual advice and professional criticism received from Armeane Choksi, Daan Everts, Dharam Ghai, James Grant, Thomas Homer-Dixon, Richard Jolly, Kees Kingma, Jacky Mathonnat, James H. Michel, Nafis Sadik, Alexander Shakow and Frances Stewart.

The authors also wish to acknowledge their deep debt to James Gustave Speth, UNDP Administrator, whose wholehearted commitment to sustainable human development has been a source of great inspiration for all of us.

ABBREVIATIONS

DAC	Development Assistance Committee
ECOSOC	Economic and Social Council
FAO	Food and Agriculture Organization
GATT	General Agreement on Tariffs and Trade
IBRD	International Bank for Reconstruction and Development
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMF	International Monetary Fund
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
WFP	World Food Programme
WHO	World Health Organization

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An agenda for the Social Summit

The world can never be at peace unless people have security in their daily lives. Future conflicts may often be within nations rather than between them—with their origins buried deep in growing socio-economic deprivation and disparities. The search for security in such a milieu lies in development, not in arms.

More generally, it will not be possible for the community of nations to achieve any of its major goals—not peace, not environmental protection, not human rights or democratization, not fertility reduction, not social integration—except in the context of sustainable development that leads to human security.

It is time for humanity to restore its perspective and redesign its agenda. The World Summit for Social Development in March 1995 comes at a time when the world will be celebrating the 50th anniversary of the United Nations—an occasion to review the achievements of the first 50 years and to define the goals for the coming decades.

A world of change

It is easy to lose perspective in today's global uncertainty. As one crisis succeeds another, policy agendas often centre on immediate issues—not the important ones.

It is essential, therefore, to step back a little and to assess the state of affairs in the 50 years since the United Nations was created. What emerges is an arresting picture of unprecedented human progress and unspeakable human misery, of humanity's advance on several fronts mixed with humanity's retreat on several others, of a breathtaking globalization of prosperity side by side with a depressing globalization of poverty. As is so common in human af-

fairs, nothing is simple and nothing is settled for ever. The progress should reassure humankind about its capacity to engineer change, and the present scale of human deprivation should continue to challenge humankind to design a much better world order.

Humanity has advanced on several critical fronts in the past 50 years.

- Most nations have already won their freedom. And the prospects for self-determination have never looked brighter in the few remaining areas, particularly in South Africa and in the Middle East. In the past 50 years, the United Nations family has grown from 51 countries to 184.
- The world is safer today from the threat of nuclear holocaust. With the end of the cold war and the conclusion of several disarmament agreements, it is difficult to recall that so many generations since the Second World War grew up with the constant fear of a sudden, unpredictable nuclear suicide.
- The record of human development during this period is unprecedented, with the developing countries setting a pace three times faster than the industrial countries did a century ago. Rising life expectancy, falling infant mortality, increasing educational attainment and much improved nutrition are a few of the heartening indicators of this human advance.
- While nearly 70% of humanity survived in abysmal human conditions in 1960 (below a human development index of 0.4), only 32% suffered such conditions in 1992. The share of the world population enjoying fairly satisfactory human development levels (above an HDI of 0.6) increased from 25% in 1960 to 60% in 1992.
- The wealth of nations has multiplied in these 50 years. Global GDP has increased

The search for human security lies in development, not in arms

*How intelligently
the emerging peace
dividend will be
used is now up to
policy-makers*

sevenfold—from about \$3 trillion to \$22 trillion. Since the world population has more than doubled—from 2.5 billion to 5.5 billion—per capita income has more than tripled.

- There have also been dramatic developments in technology. In 1927, the first transatlantic flight by Charles Lindbergh took 33 hours. Today, the Concorde can fly the Atlantic in about a tenth of that time. And most parts of the world are now immediately accessible by telephone, television or fax. Computers move more than a trillion dollars around the world's financial markets every 24 hours.

- Human ingenuity has led to several technological innovations and breathtaking breakthroughs—from an informatics revolution to exciting space explorations, from ever-new medical frontiers to ever-greater additions to knowledge. Sometimes, human institutions have even failed to keep up with technological progress, so fast has been the pace of advance.

- Global military spending has declined significantly in the past six years, after awesome increases in the previous four decades. How intelligently this emerging peace dividend will be used is now up to policy-makers.

- Between one-half and three-quarters of the world's people live under relatively pluralistic and democratic regimes. In 1993 alone, elections were held in 45 countries—in some for the first time.

This recapitulation of human progress is admittedly selective. But it shows that it is possible—indeed mandatory—to engineer change. Today's anxieties should not be allowed to paralyse tomorrow's initiatives. Nor can there be complacency, since a lengthening agenda of human deprivation still awaits us.

- Despite all our technological breakthroughs, we still live in a world where a fifth of the developing world's population goes hungry every night, a quarter lacks access to even a basic necessity like safe drinking water, and a third lives in a state of abject poverty—at such a margin of human existence that words simply fail to describe it.

- We also live in a world of disturbing contrasts—where so many go hungry, there is

so much food to waste; where so many children do not live to enjoy their childhood, there are so many inessential weapons. Global military spending, despite a welcome decline, still equals the combined income of one-half of humanity each year. And the richest billion people command 60 times the income of the poorest billion.

- Poor nations and rich are afflicted by growing human distress—weakening social fabrics, rising crime rates, increasing threats to personal security, spreading narcotic drugs and a growing sense of individual isolation.

- The threats to human security are no longer just personal or local or national. They are becoming global: with drugs, AIDS, terrorism, pollution, nuclear proliferation. Global poverty and environmental problems respect no national border. Their grim consequences travel the world.

- The same speed that has helped unify the world has also brought many problems to our doorsteps with devastating suddenness. Drug dealers can launder money rapidly through many countries—in a fraction of the time it takes their victims to detoxify. And terrorists operating from a remote safe haven can destroy life on a distant continent.

- The basic question of human survival on an environmentally fragile planet has gained in urgency as well. By the middle of the next century—still in the lifetimes of today's children—the world population may double and the world economy may quadruple. Food production must triple if people are to be adequately fed, but the resource base for sustainable agriculture is eroding. Energy must be provided, too, but even at today's level of use, fossil fuels threaten climatic stability. The destruction of the world's forests and the loss of biological wealth and diversity continue relentlessly.

- Several nation-states are beginning to disintegrate. While the threats to national survival may emerge from several sources—ethnic, religious, political—the underlying causes are often the lack of socio-economic progress and the limited participation of people in any such progress.

Against this background of human

achievement and human distress, we must seek a new concept of human security in the decades ahead. We must seek a new paradigm of sustainable human development that can satisfy the expanding frontiers of this human security. We must seek a new framework of development cooperation that brings humanity together through a more equitable sharing of global economic opportunities and responsibilities. And we must seek a new role for the United Nations so that it can begin to meet humanity's agenda not only for peace but also for development.

A new concept of human security

For too long, the concept of security has been shaped by the potential for conflict between states. For too long, security has been equated with the threats to a country's borders. For too long, nations have sought arms to protect their security.

For most people today, a feeling of insecurity arises more from worries about daily life than from the dread of a cataclysmic world event. Job security, income security, health security, environmental security, security from crime—these are the emerging concerns of human security all over the world.

This should not surprise us. The founders of the United Nations had always given equal importance to people's security and to territorial security. As far back as June 1945, the US secretary of state reported this to his government on the results of the San Francisco Conference:

The battle of peace has to be fought on two fronts. The first is the security front where victory spells freedom from fear. The second is the economic and social front where victory means freedom from want. Only victory on both fronts can assure the world of an enduring peace....No provisions that can be written into the Charter will enable the Security Council to make the world secure from war if men and women have no security in their homes and their jobs.

Several insights can help in redefining the basic concept of security:

- Human security is relevant to people everywhere, in rich nations and in poor. The threats to their security may differ—hunger and disease in poor nations and drugs and crime in rich nations—but these threats are real and growing. Some threats are indeed common to all nations—job insecurity and environmental threats, in particular.
- When the security of people is attacked in any corner of the world, all nations are likely to get involved. Famines, ethnic conflicts, social disintegration, terrorism, pollution and drug trafficking are no longer isolated events, confined within national borders. Their consequences travel the globe.
- It is less costly and more humane to meet these threats upstream rather than downstream, early rather than late. Short-term humanitarian assistance can never replace long-term development support.

Most people instinctively understand what security means. It means safety from the constant threats of hunger, disease, crime and repression. It also means protection from sudden and hurtful disruptions in the pattern of our daily lives—whether in our homes, in our jobs, in our communities or in our environment.

It is important to develop some operational indicators of human security. This Report offers various concrete proposals for an early warning system and identifies some countries already in a state of crisis—such as Afghanistan, Angola, Haiti, Iraq, Mozambique, Myanmar, Sudan and Zaire. Determined national and international actions—including both preventive and curative development—are needed to support processes of social integration.

Identifying potential crisis countries is not an indictment of these countries. It is an essential part of preventive diplomacy and preventive development. The Report mentions some of these countries only as an illustration of the potential threats to human security that can eventually lead to social disintegration. What is important for the international community is to recognize that a clear set of human security indicators, and an early warning system based on them, could help these countries avoid reaching a crisis point.

We must seek a new role for the United Nations to meet humanity's agenda not only for peace but also for development

Sustainable human development is pro-people, pro-jobs and pro-nature

There are several countries where current national and international efforts need to be reinforced to promote human security. The list of such countries extends to all world regions, and it ranges from countries in the midst of ongoing crises—such as Burundi, Georgia, Liberia, Rwanda and Tajikistan—to other countries experiencing either severe internal tensions—such as Algeria—or large regional disparities—such as Egypt, Mexico and Nigeria.

A new paradigm of development

To address the growing challenge of human security, a new development paradigm is needed that puts people at the centre of development, regards economic growth as a means and not an end, protects the life opportunities of future generations as well as the present generations and respects the natural systems on which all life depends.

Such a paradigm of development enables all individuals to enlarge their human capabilities to the full and to put those capabilities to their best use in all fields—economic, social, cultural and political. It also protects the options of unborn generations. It does not run down the natural resource base needed for sustaining development in the future. Nor does it destroy the richness of nature that adds so much to the richness of human life.

Sustainable human development addresses both intragenerational and intergenerational equity—enabling all generations, present and future, to make the best use of their potential capabilities. But it is not indifferent to how present opportunities are actually distributed. It would be odd if we were deeply concerned for the well-being of future—as yet unborn—generations while ignoring the plight of the poor today. Yet, in truth, neither objective today gets the priority it deserves. A major restructuring of the world's income distribution, production and consumption patterns may therefore be a necessary precondition for any viable strategy for sustainable human development.

In the final analysis, sustainable human development is pro-people, pro-jobs and pro-nature. It gives the highest priority to

poverty reduction, productive employment, social integration and environmental regeneration. It brings human numbers into balance with the coping capacities of societies and the carrying capacities of nature. It accelerates economic growth and translates it into improvements in human lives, without destroying the natural capital needed to protect the opportunities of future generations. It also recognizes that not much can be achieved without a dramatic improvement in the status of women and the opening of all economic opportunities to women. And sustainable human development empowers people—enabling them to design and participate in the processes and events that shape their lives.

A new design of development cooperation

The new demands of global human security require a more positive relationship among all nations of the world—leading to a new era of development cooperation. In such a design, economic partnership would be based on mutual interests, not charity; cooperation, not confrontation; equitable sharing of market opportunities, not protectionism; far-sighted internationalism, not stubborn nationalism.

Several fundamental changes will be required in the present framework of development cooperation.

First, foreign assistance must be linked to commonly agreed policy objectives—particularly to poverty reduction strategies, productive employment opportunities and the goals of sustainable human development. During the cold war period, foreign assistance was often given to strategic allies rather than in support of agreed policy objectives. Now is the time for a major restructuring of existing foreign aid allocations.

Second, a certain proportion of existing foreign assistance (equal to, say, 0.1% of the donor countries' GNP) should be channelled to the poorest nations as a global social safety net. This should be clearly earmarked for basic human development priorities (especially basic education and primary health care), and the aim should be

to bring all poor nations up to at least a minimum threshold of human development.

Third, the concept of development cooperation should be broadened to include all flows, not just aid—especially trade, investment, technology and labour flows. Greater attention should be paid to the freer movement of non-aid flows, as these are more decisive for the future growth of the developing countries than aid flows. Aid reporting systems should also be recast to include all flows and to monitor them in a comprehensive fashion.

Fourth, new initiatives for development cooperation should be discussed, including the possibility of introducing a payment for services rendered and compensation for damages suffered. For instance, the rich nations should be prepared to pay the poor nations for certain services that are in the global interest and for which the poor countries may not have sufficient resources themselves—instituting environmental controls, regulating narcotics production and trafficking, controlling communicable diseases, destroying nuclear weapons. Industrial nations should also compensate the developing countries for economic damage they suffer from certain market barriers imposed by the industrial countries, particularly trade barriers and restrictions on migration of unskilled labour.

Fifth, a serious search should begin for new sources of international funding that do not rely entirely on the fluctuating political will of the rich nations. Global taxation may become necessary in any case to achieve the goals of global human security. Some of the promising new sources include tradable permits for global pollution, a global tax on non-renewable energy, demilitarization funds and a small transaction tax on speculative international movements of foreign exchange funds.

Sixth, a new design of development cooperation also demands a new framework of global governance. Most international institutions have weakened precisely at a time of growing global interdependence. All existing institutions need considerable strengthening and restructuring if they are to cope with the new challenges to human security—particularly the United Nations

system and the Bretton Woods institutions. At the same time, a creative debate must start on the shape of global institutions required for the 21st century.

Chapter 4 offers many concrete proposals on all these aspects of a new development cooperation.

Agenda for the Social Summit

These are the issues the World Summit for Social Development must discuss. It must provide a new vision, a new direction—and lay a solid foundation for a new society.

There are times in the lives of nations when an entirely new vision shapes their destiny. The 1940s were such a watershed—marked by the birth of the United Nations, the launching of the Marshall Plan, the setting up of the Bretton Woods institutions, the initiation of the European Community, the negotiation of new social contracts in the industrial nations and an irresistible movement for the liberation of former colonies. A new world order emerged in the 1940s from the darkness of the Second World War.

Fifty years later, is the world getting ready for yet another profound transition? The initial signs are encouraging: the democratic transition in formerly communist societies as well as in many developing countries, the end of the cold war, a steady fall in global military expenditures, the opening up of economies, the strengthened prospects for peace in South Africa and the Middle East. The unexpected is becoming almost the commonplace.

At this propitious time, can humanity take yet another decisive step? The forthcoming Summit offers such an opportunity. Of course, it cannot resolve all the issues facing humanity. Nor can it provide the political will that national leaders alone can provide. But it can, and must, provide a new sense of direction.

The only practical way of achieving this is to focus on a small, manageable number of issues. It is in this spirit that the following six-point agenda is offered.

- *A new world social charter*—to establish the framework of equality of opportunity among nations and people.

The concept of development cooperation should be broadened to include all flows, not just aid

- *A 20:20 human development compact*—to implement targets for essential human development over a ten-year period (1995–2005).
- *Mobilization of the peace dividend*—to set concrete targets for reducing global military expenditure and for capturing the ensuing peace dividend to enhance human security.

- *A global human security fund*—to address the common threats to global human security.
- *A strengthened UN umbrella for human development*—to establish a more integrated, effective and efficient UN development system.
- *A UN Economic Security Council*—to provide a decision-making forum at the highest level for global issues of human security.

The discussion here summarizes each of these proposals, which are discussed at length in the Report.

A world social charter

To give clear and precise expression to the emerging concept of human security, now is the time to draw up a world social charter. Just as social contracts emerged in the 1930s and 1940s at the national level—the New Deal in the United States and the Beveridge Plan for the welfare state in the United Kingdom—so the growing consensus on the new compulsions of global human security requires social contracts at the global level.

Much of the groundwork for such a charter already exists. The International Covenant on Economic, Social and Cultural Rights—which came into force in 1976—encompassed most of the social goals, including the rights to food, health, shelter, education and work, as well as other non-material aspects of life. World leaders have come together on other occasions at international conferences and summit meetings to give concrete shape to these rights and adopt specific targets for implementation. The most comprehensive international commitments were presented in Agenda 21, adopted at the Earth Summit in 1992.

The challenge now is to translate such general statements and targets into practical action. The Social Summit should request the United Nations to draw up a concrete world social charter, to cost various goals, to set priorities and timetables for their implementation and to monitor the implementation of these goals through the new Economic Security Council proposed

BOX 1

A world social charter

WE THE PEOPLE OF THE WORLD SOLEMNLY PLEDGE to build a new global civil society, based on the principles of equality of opportunity, rule of law, global democratic governance and a new partnership among all nations and all people.

WE PROPOSE to build a society where the right to food is as sacrosanct as the right to vote, where the right to a basic education is as deeply enshrined as the right to a free press and where the right to development is considered one of the fundamental human rights.

WE COLLECTIVELY PLEDGE to build new foundations of human security, which ensure the security of people through development, not arms; through cooperation, not confrontation; through peace, not war. We believe that no provision in the Charter of the United Nations will ever ensure global security unless people have security in their homes, in their jobs, in their communities and in their environment.

WE ARE FULLY CONVINCED that diversity in our societies is our strength, not our weakness, and we intend to protect this diversity by ensuring non-discrimination between all our people, irrespective of gender, race, religion or ethnic origin.

WE COLLECTIVELY BELIEVE that our world cannot survive one-fourth rich and three-fourths poor, half democratic and half authoritarian, with oases of human development surrounded by deserts of human deprivation. We pledge to take all necessary actions, nationally and globally, to reverse the present trend of widening disparities within and between nations.

WE ARE CONVINCED that it is possible to overcome the worst aspects of poverty in our lifetime through collective effort. We jointly affirm that our first step towards this goal will be to design a global compact that ensures that no child goes without an education, no human being is denied primary health care or safe drinking water and all willing couples are able to determine the size of their own families.

WE ARE CONSCIOUS of our responsibility to present generations and to future generations, and we are determined to pass on to our children a rich natural heritage and an environment sustained and whole.

WE INTEND to design a pattern of development cooperation based on open global markets, not protectionism; on an equitable sharing of market opportunities, not charity; on an open policy dialogue between sovereign nations, not coercion.

WE PLEDGE our deep commitment to a new social and economic philosophy that puts people at the centre of our concerns and creates unbreakable bonds of human solidarity.

WE STRONGLY BELIEVE that the United Nations must become the principal custodian of our global human security. Towards this end, we are determined to strengthen the development role of the United Nations and to give it wide-ranging decision-making powers in the socio-economic field by establishing an Economic Security Council.

later. An illustrative world social charter is given in box 1.

A 20:20 compact for human development

The world social charter would encompass a broad range of human security issues in both industrial and developing countries. Its adoption should be immediately followed by a global compact for human development—whereby all nations pledge to ensure the provision of at least the very basic human development levels for all their people. Most countries can achieve these minimum levels by adjusting their existing development priorities. Some of the poorest countries, however, will require substantial international assistance, in addition to their own domestic efforts.

What should be the global targets in such a compact? The list of international commitments from which to choose is already long, but the most important targets include the following:

- *Universal primary education*—for girls as well as for boys.
- *Adult illiteracy rates to be halved*—with the female rate to be no higher than the male one.
- *Primary health care for all*—with special stress on the immunization of children.
- *Severe malnutrition to be eliminated*—and moderate malnutrition rates to be halved.
- *Family planning services for all willing couples.*
- *Safe drinking water and sanitation for all.*
- *Credit for all*—to ensure self-employment opportunities.

These are the very minimum targets. Much more must be done, particularly to provide sustainable livelihoods. But let the international community start with some commonly agreed and doable basic goals.

A rough estimate of the additional cost of meeting these targets over the next ten years would be \$30 to \$40 billion a year—a substantial sum, but easily managed by restructuring the priorities in budgets.

Developing countries devote on average only 13% of their national budgets (\$57 billion a year) to basic human development

concerns. They have considerable scope for changing their budget priorities: by reducing their military spending (around \$125 billion a year), by privatizing their loss-making public enterprises and by giving up some low-priority development projects. It is proposed that they earmark at least 20% of their budgets (\$88 billion a year) to human priority concerns. The scope for restructuring will differ from one country to another: the target of 20% only suggests an average pattern.

Donor countries also have considerable scope for changing the allocation priorities in their aid budgets in the post-cold war era. On average, bilateral donors allocate only 7% of their aid to the various human priority concerns (basic education, primary health care, mass-coverage water supply systems and family planning services). The problem here is not so much the proportion of aid they give to the social sector (16% on average) as the distribution within the social sector. Less than one-fifth of education aid goes to primary education, and a similar proportion of aid for water supply and sanitation is earmarked for rural areas, with very little for low-cost mass-coverage programmes. If donors also lift their aid allocation for human priority goals to 20%, this would provide \$12 billion a year rather than the current \$4 billion. Again, the 20% target is an average, with some donors having greater scope for restructuring than others.

Such a 20:20 compact for human development would be based on a sharing of responsibility. Three-fourths of the contributions would come from the developing countries, and one-fourth from the donors. No new money is required, because the compact is based on restructuring existing budget priorities (see chapter 4).

The 20:20 compact could ensure that the essential human development agenda is met in all nations by the turn of this century. The compact would not only give new hope to the majority of humankind—it would also advance many other priority goals.

- It would help slow down population growth, as practical experience shows that human development is the most powerful contraceptive.

The 20:20 compact could ensure that the essential human development agenda is met in all nations

All nations should agree on a 3% a year reduction in military spending during 1995–2000

- It would contribute to sustainability, as human capital can replace some forms of natural capital and human development models are the most non-polluting development paradigms.
- It would give the developing countries a good start in the 21st century in competing in the global market-place for their share of development opportunities on the strength of their enhanced human capital.
- It would enable donors to convince their reluctant legislators and skeptical publics that the best use is being made of their aid funds.

Such a compact needs to be managed, monitored and coordinated internationally. The Social Summit should direct the United Nations system to design such a 20:20 compact and to identify institutions and procedures for its implementation.

Capturing the peace dividend

Global military spending declined between 1987 and 1994 at an estimated average annual rate of 3.6%, yielding a cumulative peace dividend of \$935 billion—\$810 billion in industrial countries and \$125 billion in developing countries. But it is difficult to track where these funds went. And there has been no clear link between reduced military spending and enhanced expenditure on human development. Moreover, the poorest regions of the world (especially Sub-Saharan Africa) failed to contain their military spending. Meanwhile, nations continue to compete in the short-sighted business of arms exports.

What is needed now is to continue the pressure for reduced global military spending, to ensure that the poorest regions also cut down their arms spending and to develop a firm link between reduced arms spending and increased social spending.

The next challenge for disarmament is to phase the Third World out of the cold war. This will require new alliances for peace and international and regional forums for disarmament talks. It will also require a defusing of current global tensions and a new resolve on the part of the major powers to address the basic

sources of conflicts in the Third World, primarily through the United Nations.

At the same time, the major suppliers of arms must adopt a new ethic of peace, since 86% of the current arms supplies originate from the five permanent members of the Security Council. They must agree to phase out their military assistance and their military bases, regulate the shipment of sophisticated arms and eliminate subsidies to their arms exporters. Foreign assistance must also give the right signals: rather than rewarding high military spenders, as at present, donor countries should reduce allocations of official development assistance (ODA) if a recipient country insists on spending more on its armies than on the social welfare of its people.

Within this perspective, the Social Summit offers an important opportunity to turn from arms to human security. A collective effort must be made at the time of the Summit to:

- Agree on a targeted reduction in military spending for the decade 1995–2005—say, 3% a year.
- Make a clear, explicit link between reduced military spending and increased social spending.
- Persuade all nations to allocate a proportion of the potential savings to a global human security fund (discussed below)—say, 20% of the peace dividend in rich nations and 10% in poor nations.
- Mandate the United Nations to maintain a list of sophisticated weapons and technologies that should not be exported at all, except under international agreement.
- Persuade the industrial nations to close their military bases, phase out their military assistance and eliminate their subsidies to arms exporters over the next three years.
- Request the United Nations to strengthen its reporting system under the UN Register of Conventional Armaments, so that up-to-date information on arms and technology transactions is published regularly.

A global human security fund

Human security is indivisible. Famine, pollution, ethnic violence—their conse-

quences travel the globe. Yet responses are still largely national. The Social Summit should therefore consider setting up a global human security fund to finance an international response. The issues the fund could address would include drug trafficking, international terrorism, nuclear proliferation, transmittable diseases, environmental pollution, natural resource depletion, natural disasters, ethnic conflicts and refugee flows.

Separate global compacts can be negotiated in each of these areas. These compacts will deal with “global goods” and “global bads”. Some good precedents are the already-concluded compacts on climate change and biodiversity and the current negotiations for a compact on desertification.

Three main sources should be tapped for such a global fund. First is the peace dividend, discussed above. A fixed proportion of the reductions in global military spending should be credited to the global human security fund—on the grounds that the basic threats to global security have not disappeared but merely taken on new forms.

The peace dividend could be substantial: an annual reduction of 3% in global military spending would yield about \$460 billion from 1995 to 2000, of which around \$385 billion would be in the industrial world and around \$75 billion in the developing world. Not all of this would be available to a global human security fund, because already there are many claims on these savings, including the costs of conversion from military to civilian production.

But if the rich nations were to allocate only 20% of their peace dividend, as suggested, and the poor nations 10%, this would generate at least \$85 billion during 1995–2000, or about \$14 billion a year. These figures are purely illustrative. The important point is that the contributions should be automatic and shared globally. One form the fund could take is suggested by Nobel Peace Prize winner Oscar Arias (special contribution, p. 59).

A second logical source of funds for a global response to global threats is a set of fees on globally important transactions or

polluting emissions. This is probably some way off, but even at this stage it is worth considering some of the more promising options, two of which are discussed in chapter 4. One is a tax on the international movements of speculative capital suggested by James Tobin, winner of the Nobel Prize for Economics (special contribution, p. 70). Tobin suggests a tax rate of 0.5% on such transactions, but even a tax of 0.05% during 1995–2000 could raise \$150 billion a year. Such a tax would be largely invisible and totally non-discriminatory. Another is a global tax on energy: a tax of \$1 on each barrel of oil (and its equivalent on coal) during 1995–2000 would yield around \$66 billion a year.

A third major source for the fund could be official development assistance. The current target for ODA allocations by industrial countries is 0.7% of each country’s GNP, twice their actual contributions. The first 0.1% of GNP contributed to ODA should be earmarked for a social safety net for poor nations (chapter 4). But the balance should be linked to specific objectives—one of which should be global human security. If donors restructured existing ODA and committed some new funds, they could provide around \$20 billion a year to a global human security fund.

These three sources together could raise an annual fund of around \$250 billion a year during 1995–2000, seemingly ambitious, but still only around 1% of global GDP. Can humanity do less than this for its collective survival when it has been willing until recently to spend more than 4% of global GDP on the military arsenal?

Rather than the specific forms of global taxation, it is the basic notion of designing a global response and raising some global financing that the Social Summit should focus on. What is envisaged here is neither a separate fund nor a new institution. The idea is to establish a global account to pool contributions to meet the needs of global human security.

The Social Summit should approve the basic idea of a global human security fund and give the United Nations the mandate to prepare its concrete blueprint.

The Social Summit should approve the basic idea of a global human security fund

It would be essential to set up an Economic Security Council

A strengthened United Nations umbrella for human development

The logical forum for the administration of this new global human security fund is the United Nations. But to cope with the increased responsibility, the UN system needs to strengthen its capabilities in the area of sustainable human development.

The development funds of the UN (UNDP, UNICEF, UNFPA, IFAD and WFP) provide substantial resources to developing countries—about \$5 billion a year. The pooled resources of these UN funds are nearly as large as those of IDA (the soft-loan window of the World Bank). Moreover, these funds are providing grants, not credits, so that there is a substantial net transfer of resources to developing countries. These development funds are currently discussing how best to strengthen their overall development effort and coordinate their assistance strategies, recognizing the need for a more integrated, effective and efficient UN development system.

Three steps will be essential for the UN development funds to assume the increased responsibilities that may emerge from the Social Summit.

First, the concerned programmes of the UN need to identify common missions and complementary approaches to helping countries realize their sustainable human development goals. Major stimulus will come from the Secretary-General's *Agenda for Development* and from other efforts under way to better define a common sense of purpose and some unifying themes.

Second, much closer cooperation will be necessary in the days ahead among the leaderships of these institutions, both at the headquarters and at the country level. At the same time, a more vigorous leadership from a restructured Economic and Social Council (ECOSOC) will be vital.

Third, if additional resources are generated to support human development strategies—whether through the 20:20 compact or through a global human security fund, as discussed earlier—a strengthened UN development system will be in an excellent position to manage and monitor these additional resources and to assume the new

responsibilities for sustainable human development. The precise institutional modalities can be determined by the restructured ECOSOC. Whatever form a strengthened UN development system takes, it must draw on the relative strengths of each development fund—and their large constituencies and complementary mandates—as well as engineer some critical institutional reforms.

An Economic Security Council

To take this process of strengthening the development mandate of the UN to its logical conclusion, it would also be essential to set up an Economic Security Council. This would be a decision-making forum at the highest level to review the threats to global human security and agree on the necessary actions. In addition to the threats listed earlier, it would consider more basic issues—such as global poverty, unemployment, food security, international migration and a new framework for sustainable human development.

The proposed Economic Security Council would need to include some of the following elements:

- *A focus on sustainable human development*—rather than on political and peace-keeping matters.
- *A small and manageable membership*—say, 11 permanent members from the main industrial and more populous developing countries, and another 11 members on a rotating basis.
- *A protected voting mechanism*—such as a requirement that, beyond an overall majority, all decisions should also be ratified by majorities of both the industrial and the developing countries.
- *A professional secretariat*—small and highly qualified, led by an outstanding person, to prepare policy options for the council's consideration.
- *Expert national delegates*—the regular meetings would involve nationals with economic and financial expertise, but there would also be occasional high-level meetings of ministers of finance and planning, as well as annual sessions at the level of head of state or government.

- *Supervision of global institutions*—the council would act as a watchdog over the policy direction of all international and regional institutions.

The Economic Security Council would thus consist of about 22 members meeting year-round. It would also refer some subjects to smaller negotiating groups.

Establishing an Economic Security Council will be difficult since it would require a change in the UN Charter. So, it would perhaps be more realistic to try for something less ambitious and more manageable administratively.

One possibility is to extend the mandate of the present Security Council so that it could consider not just military threats but also threats to peace from economic and social crises. This would be in line with current attempts to involve the UN not just in peacekeeping but also—as suggested in the *Agenda for Peace*—in actively preventing conflicts.

Another possibility is to use the ECOSOC. Currently rather unwieldy, with 54 members, it could delegate decision-making power to a smaller executive board—with, say, 15 members—that could meet in permanent session. Ministers of finance and planning could be involved for the most important development issues, and decisions could subsequently be ratified by the entire Council and by the General Assembly. Article 65 of the UN Charter contains a provision for the ECOSOC to assume such a mandate at the request of the Security Council.

These are intermediate steps, however, and the fact remains that a full-fledged Economic Security Council would be preferable to less ambitious alternatives. The council's creation need not be such a daunting prospect if the world community

agrees on the urgency of the task—and on the need for a much broader international effort. The Social Summit offers an opportunity to agree on the framework for this bold initiative.

The specific proposals for the consideration of the Social Summit are summarized in box 2 for ready reference by policy-makers. These proposals may at first sight seem to demand a great deal from the international community. But they probably are more realistic than they appear.

Let us keep reminding ourselves that the imperatives of human security are bringing people together in all parts of the world. Let us also remember that many heresies of yesterday have become the conventional wisdom of today.

A proposed action agenda for the Social Summit

BOX 2

1. Approve a world social charter as a new social contract among all nations and all people.
2. Endorse a new development paradigm of sustainable human development—with economic growth centred on people and sustainable from one generation to the next.
3. Give the United Nations the mandate to draw up a comprehensive blueprint for ensuring global human security and protecting people from threats in their daily lives—poverty, unemployment, drugs, terrorism, environmental degradation and social disintegration.
4. Agree on a targeted reduction of 3% a year in global military spending for the decade 1995–2005, and direct that a certain proportion of these potential savings—say, 20% by industrial countries and 10% by developing countries—be credited to a global human security fund.
5. Approve a human development compact for the next ten years (1995–2005) whereby all nations pledge to ensure the basic human development levels for all their people, and endorse the 20:20 proposal requiring developing nations and aid donors to earmark a minimum of 20% of their budgets for human priority concerns.
6. Recommend to ECOSOC that it examine the feasibility of various forms of global taxation—especially taxes on global pollution and on speculative movements of capital—to raise adequate financing for setting up a new global fund for human security.
7. Urge the international community to strengthen the role of the United Nations in the socio-economic field and to vest more decision-making powers in the UN by establishing an Economic Security Council to manage the new dimensions of global human security.



Towards sustainable human development

Human beings are born with certain potential capabilities. The purpose of development is to create an environment in which all people can expand their capabilities, and opportunities can be enlarged for both present and future generations. The real foundation of human development is universalism in acknowledging the life claims of everyone.

Universalism of life claims

The paradigm of sustainable human development values human life for itself. It does not value life merely because people can produce material goods—important though that might be. Nor does it value one person's life more than another's. No newborn child should be doomed to a short life or a miserable one merely because that child happens to be born in the “wrong class” or in the “wrong country” or to be of the “wrong sex”.

Development must enable all individuals to enlarge their human capabilities to the fullest and to put those capabilities to the best use in all fields—economic, social, cultural and political.

Universalism of life claims is the common thread that binds the demands of human development today with the exigencies of development tomorrow, especially with the need for environmental preservation and regeneration for the future. The strongest argument for protecting the environment is the ethical need to guarantee to future generations opportunities similar to the ones previous generations have enjoyed. This guarantee is the foundation of “sustainable development”.

But sustainability makes little sense if it means sustaining life opportunities that are

miserable and indigent: the goal cannot be to sustain human deprivation. Nor should we deny the less privileged today the attention that we are willing to bestow on future generations.

Human development and sustainability are thus essential components of the same ethic of universalism of life claims. There is no tension between the two concepts, for they are a part of the same overall design. In such a conceptual framework, sustainability is, in a very broad sense, a matter of distributional equity—of sharing development opportunities between present and future generations. There would, however, be something distinctly odd if we were deeply concerned for the well-being of future—as yet unborn—generations while ignoring the plight of the poor today. The ethic of universalism clearly demands both intragenerational equity and intergenerational equity.

This equity is, however, in *opportunities*—not necessarily in final achievements. Each individual is entitled to a just opportunity to make the best use of his or her potential capabilities. So is each generation. How they actually use these opportunities, and the results they achieve, are a matter of their own choice. But they must have such a choice—now and in the future.

This universalism of life claims—a powerful idea that provides the philosophical foundations for many contemporary policies—underlies the search for meeting basic human needs. It demands a world where no child goes without an education, where no human being is denied health care and where all people can develop their potential capabilities. Universalism implies the empowerment of people. It protects all basic human rights—economic and social as well as civil and political—and it holds

The real foundation of human development is universalism of life claims

It is justice, not charity, that is wanting in the world

that the right to food is as sacrosanct as the right to vote. It demands non-discrimination between all people, irrespective of gender, religion, race or ethnic origin. And it focuses directly on human beings—respecting national sovereignty but only as long as nation-states respect the human rights of their own people.

Universalism advocates equality of opportunity, not equality of income—though in a civilized society a basic minimum income should be guaranteed to everyone.

The basic thought of universalism of life claims comes from many pioneers. “It is justice, not charity, that is wanting in the world,” wrote Mary Wollstonecraft, the pioneering feminist, in *A Vindication of the Rights of Woman*, published in 1792. In the same year, her friend Thomas Paine published the second part of the *Rights of Man*. Both were concerned with giving everyone—women and men—power over their lives and opportunities to live according to their own values and aspirations.

Historical perspective

Interest in the concept of human development is not new. Nor are the concerns of sustainability. Today’s belated return to human development means reclaiming an old and established heritage rather than importing or implanting a new diversion.

The roots of the concept of human development can often be traced to early periods in human history and can be found in many cultures and religions. Aristotle wrote that “wealth is evidently not the good we are seeking, for it is merely useful and for the sake of something else”. A similar strain was reflected in the writings of the early founders of quantitative economics (William Petty, Gregory King, François Quesnay, Antoine Lavoisier and Joseph Lagrange) and in the works of the pioneers of political economy (Adam Smith, Robert Malthus, Karl Marx and John Stuart Mill). When Adam Smith, that apostle of free enterprise and private initiative, showed his concern that economic development should enable a person to mix freely with others without being “ashamed to appear in public”, he

was expressing a concept of poverty that went beyond counting calories—a concept that integrated the poor into the mainstream of the community.

Throughout this early period, the concept of development treated income and its growth as a means, and directed attention towards a real concern for people—in their individuality and collectivity, in their commonality and diversity. The central concern of development became the quality of people’s lives—what they were capable of doing and what they actually did, the discriminations they faced, the struggles they waged and the expanding choices they enjoyed. And this covered not just economic choices but choices in every field in which they could extend control over their lives. The pursuit of material well-being was one of these choices—but it had not yet become the exclusive obsession.

Only during the 20th century did the social sciences become increasingly concerned with economics—and economics with wealth rather than with people, with the economy rather than with the society, with the maximization of income rather than with the expansion of opportunities for people. Although the obsession with materialism may be recent, the preoccupation of economists and policy-makers with augmenting “national treasure”, in surplus trade balances, dates back at least to the mercantilists, who preferred to concentrate on material success rather than on the development of human lives.

The dominant contemporary tradition of focusing exclusively on such variables as per capita gross national product or national wealth is a continuation—certainly an intensification—of the old opulence-oriented approach. And it is this low road of regarding humanity as an instrument of production—rather than the high road of acknowledging the universality of life claims—that fits well with the reputation of economics as a “dismal science”.

Opulence and human development

Why should there be a tension between wealth maximization and human develop-

ment? Is not the former indispensable for the latter?

Wealth is important for human life. But to concentrate on it exclusively is wrong for two reasons.

First, accumulating wealth is not necessary for the fulfilment of some important human choices. In fact, individuals and societies make many choices that require no wealth at all. A society does not have to be rich to be able to afford democracy. A family does not have to be wealthy to respect the rights of each member. A nation does not have to be affluent to treat women and men equally. Valuable social and cultural traditions can be—and are—maintained at all levels of income. The richness of a culture can be largely independent of the people's wealth.

Second, human choices extend far beyond economic well-being. Human beings may want to be wealthy. But they may also want to enjoy long and healthy lives, drink deep at the fountain of knowledge, participate freely in the life of their community, breathe fresh air and enjoy the simple pleasures of life in a clean physical environment and value the peace of mind that comes from security in their homes, in their jobs and in their society.

National wealth might expand people's choices. But it might not. The use that nations make of their wealth, not the wealth itself, is decisive. And unless societies recognize that their real wealth is their people, an excessive obsession with the creation of material wealth can obscure the ultimate objective of enriching human lives.

This tension between wealth maximization and human development is not merely academic—it is real. Although there is a definite correlation between material wealth and human well-being, it breaks down in far too many societies. Many countries have a high GNP per capita, but low human development indicators—and vice versa. Countries at similar levels of GNP per capita may have vastly different human development indicators, depending on the use they have made of their national wealth (table 1.1 and figure 1.1). The maximization of wealth and the enrichment of human

lives need not move in the same direction.

Some take the view that opulence should not be valued as an end in itself, but that it still is the most important means for promoting the more basic objectives—even the Aristotelian one of ensuring “flourishing lives”. To take a prominent example, W. Arthur Lewis—one of the leading modern development economists and a Nobel Prize winner in economics—had little doubt that the appropriate objective is increasing “the range of human choice”. He also acknowledged the causal role of many factors in advancing the freedom to choose. But he decided to concentrate specifically on “the growth of output per head”, because it “gives man greater control over his environment, and thereby increases his freedom”. Indeed, the focus of his classic book was sufficiently precise to permit him to assert: “Our subject matter is growth, and not distribution.” Yet without appropriate distribution and public policy, economic growth may fail to translate into improvements in human lives.

Recent studies confirm that even when intercountry data show a generally positive and statistically significant relationship between GNP per head and indicators of quality of life, much of that relationship depends on the use of extra income for improving public education and health and for reducing absolute poverty.

Accumulating wealth is not necessary for the fulfilment of some important human choices

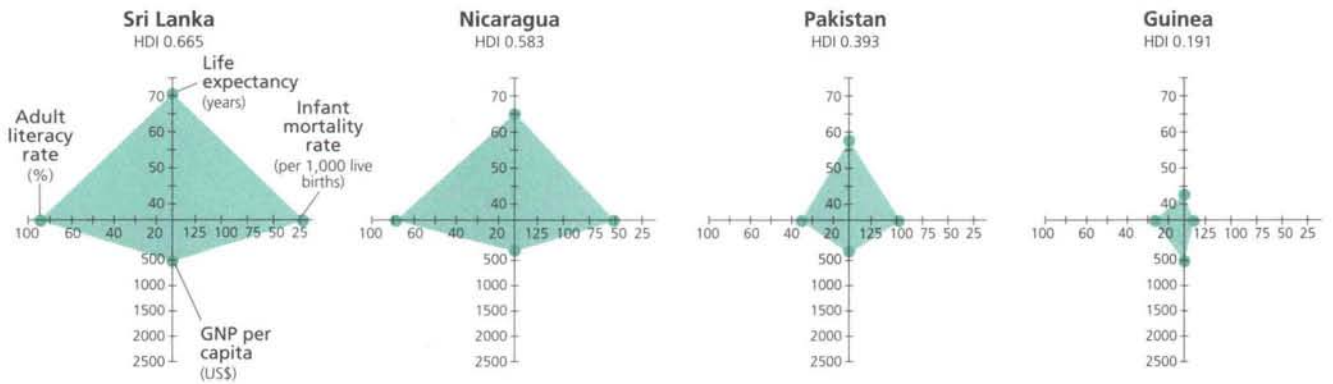
TABLE 1.1
Similar income, different HDI, 1991/92

Country	GNP per capita (US\$)	HDI value	HDI rank	Life expectancy (years)	Adult literacy (%)	Infant mortality (per 1,000 live births)
<i>GNP per capita around \$400 to \$500</i>						
Sri Lanka	500	0.665	90	71.2	89	24
Nicaragua	400	0.583	106	65.4	78	53
Pakistan	400	0.393	132	58.3	36	99
Guinea	500	0.191	173	43.9	27	135
<i>GNP per capita around \$1,000 to \$1,100</i>						
Ecuador	1,010	0.718	74	66.2	87	58
Jordan	1,060	0.628	98	67.3	82	37
El Salvador	1,090	0.543	112	65.2	75	46
Congo	1,040	0.461	123	51.7	59	83
<i>GNP per capita around \$2,300 to \$2,600</i>						
Chile	2,360	0.848	38	71.9	94	17
Malaysia	2,520	0.794	57	70.4	80	14
South Africa	2,540	0.650	93	62.2	80	53
Iraq	2,550	0.614	100	65.7	63	59

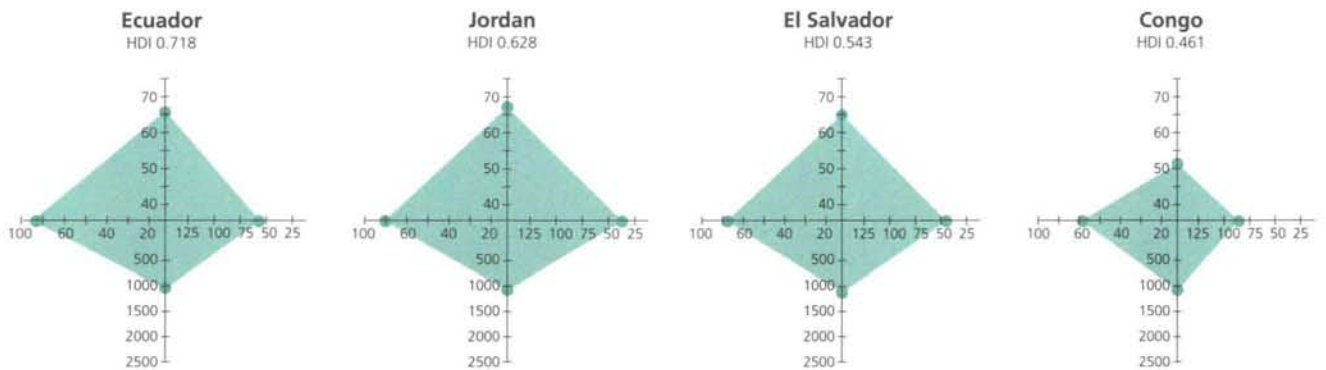
FIGURE 1.1

Similar incomes—different human development

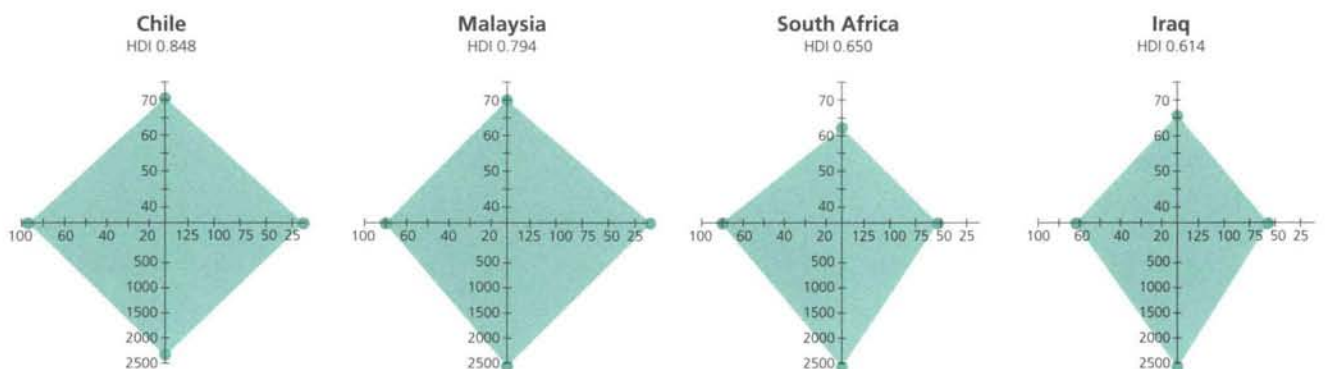
GNP per capita around \$400 – \$500



GNP per capita around \$1,000 – \$1,100



GNP per capita around \$2,300 – \$2,600



True, countries with higher average incomes tend to have higher average life expectancies, lower rates of infant and child mortality and higher literacy rates—indeed, a higher human development index (HDI). But these associations are far from perfect. In intercountry comparisons, income variations tend to explain not much more than half the variation in life expectancy, or in infant and child mortality. And they explain an even smaller part of the differences in adult literacy rates.

More important is the way the growth of GNP influences human development. There is considerable evidence that the statistical correlation between GNP per head and human development tends to work through the effect of higher GNP in raising public expenditure and in lowering poverty.

This impact should not be interpreted to mean that economic growth does not matter in improving the quality of life. Instead, it indicates that the connections are seriously contingent. Much depends on how the fruits of economic growth are shared—particularly on what the poor get—and how much the additional resources are used to support public services—particularly primary health care and basic education.

In simple terms, it is not the level of income alone that matters—it is also the use that is made of this income. A society can spend its income on arms or on education. An individual can spend his or her income on narcotic drugs or on essential food. What is decisive is not the process of wealth maximization but the choices that individuals and societies make—a simple truth often forgotten.

There is thus no basic conflict between (1) regarding economic growth as very important and (2) regarding it as an insufficient basis for human development. Growth in income will enhance the living conditions of the poor only if they get a share of the additional income, or if it is used to finance public services for sections of society that would otherwise be deprived of them. Again, the central issue turns out to be the need for valuing the enhancement of human capabilities—rather than pro-

moting aggregate growth while overlooking what is needed to make the fruits of growth serve the interests of the least privileged.

Confusion between ends and means

It is often argued (rightly) that investing in people increases their productivity. It is then argued (wrongly) that human development simply means human *resource* development—increasing human capital.

This formulation confuses ends and means. People are not merely instruments for producing commodities. And the purpose of development is not merely to produce more value added irrespective of its use. What must be avoided at all cost is seeing human beings as merely the means of production and material prosperity, regarding the latter to be the end of the causal analysis—a strange inversion of ends and means.

Bestowing value on a human life only to the extent that it produces profits—the “human capital” approach—has obvious dangers. In its extreme form, it can easily lead to slave labour camps, forced child labour and the exploitation of workers by management—as during the industrial revolution.

Human development rejects this exclusive concentration on people as human capital. It accepts the central role of human capital in enhancing human productivity. But it is just as concerned with creating the economic and political environment in which people can expand their human capabilities and use them appropriately. It is also concerned with human choices that go far beyond economic well-being.

Improving human capital does, of course, enhance production and material prosperity—as it has in Japan and East Asia. But it is well to remember Immanuel Kant’s injunction “to treat humanity as an end in itself, never as means only”. The quality of human life is an end.

Sustainable development and economic growth

Sustainable human development means that we have a moral obligation to do at

It is not the level of income alone that matters—it is also the use that is made of this income

All postponed debts mortgage sustainability—whether economic debts, social debts or ecological debts

least as well for our successor generations as our predecessors did for us.

It means that current consumption cannot be financed for long by incurring economic debts that others must repay. It also means that sufficient investment must be made in the education and health of today's population so as not to create a social debt for future generations. And it means that resources must be used in ways that do not create ecological debts by overexploiting the carrying and productive capacity of the earth.

All postponed debts mortgage sustainability—whether economic debts, social debts or ecological debts. These debts borrow from the future. They rob coming generations of their legitimate options. That is why the strategy for sustainable human development is to replenish all capital—physical, human and natural—so that it maintains the capacity of the future generations to meet their needs at least at the same level as that of the present generations.

But there need not be any tension between economic growth and environmental protection and regeneration. Economic growth, because it provides more options, is vital for poor societies, since much of their environmental degradation arises out of poverty and limited human choices. But the character of their growth and consumption is important.

Poor nations cannot—and should not—imitate the production and consumption patterns of rich nations. That may not, in any case, be entirely possible, despite advances in technology, or entirely desirable. Replicating the patterns of the North in the South would require ten times the present amount of fossil fuels and roughly 200 times as much mineral wealth. And in another 40 years, these requirements would double again as the world population doubles.

The life styles of the rich nations will clearly have to change. The North has roughly one-fifth of the world's population and four-fifths of its income, and it consumes 70% of the world's energy, 75% of its metals and 85% of its wood. If the eco-sphere were fully priced, not free, such consumption patterns could not continue.

Sustainable human development is concerned with models of material production and consumption that are replicable and desirable. These models do not regard natural resources as a free good, to be plundered at the free will of any nation, any generation or any individual. They put a price on these resources, reflecting their relative scarcity today and tomorrow. They thus treat exhaustible environmental resources as any other scarce asset and are concerned with policies of sensible asset management.

One important area of asset management is non-renewable energy. There is tremendous scope for reducing energy input per unit of output. For example, the energy consumed for every \$100 of GDP is 13 kilogrammes of oil equivalent in Japan, 18 in Germany, 35 in the United States, 50 in Canada and 254 in Romania. Energy use is even more inefficient in developing countries: as high as 187 kilogrammes of oil equivalent for every \$100 of GDP in China, 154 in Algeria, 132 in India, 105 in Egypt, 94 in Zimbabwe and 93 in Venezuela. Proper pricing of non-renewable energy can lead to the adoption of new technologies and new patterns of production that can greatly help in reducing energy input per unit of output and in curtailing the environmentally damaging emissions from each unit of energy used.

Sustainability and equity

Obviously, we need to sustain for the next generation the opportunity to enjoy the same kind of well-being that we possess. But we do not know what the next generation's consumption preferences will be. Nor can we anticipate future increases in population that may require more capital to sustain the same opportunities per head. It also is difficult to predict the technological breakthroughs that may reduce the capital that would be required to achieve the same level of well-being. Faced with such uncertainties, the best the present generations can do is to replace the broad stock of capital they consume.

Not every specific resource or form of capital needs to be preserved. If more efficient substitutes are available, they must be

used. What must be preserved is the overall capacity to produce a similar level of well-being—perhaps even with an entirely different stock of capital. This difficult issue requires much further research. But one thing is clear: preserving productive capacity intact does not mean leaving the world in every detail as we found it. What needs to be conserved are the opportunities for future generations to lead worthwhile lives.

Attending to the future draws immediate attention to the present. We cannot argue in good conscience that developing countries should be sustained at their current level of poverty, that the present production and consumption patterns of the rich nations are preordained and cannot and must not be changed.

The concept of sustainable development raises the issue of whether present life styles are acceptable and whether there is any reason to pass them on to the next generation. Because intergenerational equity must go hand in hand with intragenerational equity, a major restructuring of the world's income and consumption patterns may be a necessary precondition for any viable strategy of sustainable development.

There is no reason to accept the present way in which rich and poor nations share the common heritage of humankind. Because the environment has been treated as a free resource, the rich nations have taken advantage of this to emit most of the world's pollution. If the environment were correctly priced and tradable permits were issued to all nations (50% on the basis of GDP and 50% on the basis of population), the rich nations might have to transfer as much as 5% of their combined GDP to the poor nations (chapter 4). The global balance of environmental use—and the distribution of present consumption patterns—would begin to shift in a more desirable direction.

The close link between global poverty and global sustainability will also have to be analysed carefully if the concept of sustainable development is to have any real meaning. The very poor, struggling for their daily survival, often lack the resources to avoid degrading their environment. In poor societies, what is at risk is not the quality of life—but life itself.

The poor are not preoccupied with the loud emergencies of global warming or the depletion of the ozone layer. They are preoccupied with the silent emergencies—polluted water or degraded land—that put their lives and their livelihoods at risk. Unless the problems of poverty are addressed, environmental sustainability cannot be guaranteed.

Redistributing resources to the poor by improving their health, education and nutrition is not only intrinsically important because it enhances their capabilities to lead more fulfilling lives. By increasing their human capital, it also has a lasting influence on the future. A general increase in educational levels, for example, will enhance productivity and the ability to generate higher incomes—now and in the future.

Because the accumulation of human capital can replace some forms of exhaustible resources, human development should be seen as a major contribution to sustainability. As argued earlier, there is no tension between human development and sustainable development. Both are based on the universalism of life claims. Development patterns that perpetuate today's inequities are neither sustainable nor worth sustaining. That is why sustainable human development is a more inclusive concept than sustainable development.

Sustainable development may sometimes be interpreted carelessly to mean that the present level and pattern of development should be sustained for future generations as well. This is clearly wrong.

Sustainable human development, by contrast, puts people at the centre of development and points out forcefully that the inequities of today are so great that to sustain the present form of development is to perpetuate similar inequities for future generations. The essence of sustainable human development is that everyone should have equal access to development opportunities—now and in the future.

Individuals and institutions

Universalist concern with the rights and interests of all human beings can be effective only through a combination of individual

Development patterns that perpetuate today's inequities are neither sustainable nor worth sustaining

Poverty reduction

Poverty is the greatest threat to political stability, social cohesion and the environmental health of the planet. Strategies for poverty reduction will certainly embrace all aspects of national policy. Some key lessons of country experience:

- *Basic social services*—The state must help ensure a widespread distribution of basic social services to the poor, particularly basic education and primary health care.
- *Agrarian reform*—Since a large part of poverty in developing countries is concentrated in the rural areas, poverty reduction strategies often require a more equitable distribution of land and agricultural resources.
- *Credit for all*—One of the most powerful ways of opening markets to the poor is to ensure more equal access to credit. The criteria of creditworthiness must change, and credit institutions must be decentralized.
- *Employment*—The best way to extend the benefits of growth to the poor and to involve them in the expansion of

output is to rapidly expand productive employment opportunities and to create a framework for ensuring a sustainable livelihood for everyone.

- *Participation*—Any viable strategy for poverty reduction must be decentralized and participatory. The poor cannot benefit from economic development if they do not even participate in its design.
- *A social safety net*—Every country needs an adequate social safety net to catch those whom markets exclude.
- *Economic growth*—The focus of development efforts, in addition to increasing overall productivity, must be to increase the productivity of the poor. This will help ensure that the poor not only benefit from, but also contribute to, economic growth.
- *Sustainability*—Poverty reduces people's capacity to use resources in a sustainable manner, intensifying pressures on the ecosystem. To ensure sustainability, the content of growth must change—becoming less material-intensive and energy-intensive and more equitable in its distribution.

Employment creation

Creating sufficient opportunities for productive employment and sustainable livelihoods is one of the most important—and most difficult—tasks in any society. Based on experience, the central elements of an effective national employment strategy are likely to include:

- *Education and skills*—To compete in a fast-changing global economy, every country has to invest heavily in the education, training and skill formation of its people.
- *An enabling environment*—Most new employment opportunities are likely to be generated by the private sector. But markets cannot work effectively unless governments create an enabling environment—including fair and stable macroeconomic policies, an equitable legal framework, sufficient physical infrastructure and an adequate system of incentives for private investment.
- *Access to assets*—A more equitable distribution of physical assets (land) and better access to means of production (credit and information) are often essential to ensure sustainable livelihoods.

• *Labour-intensive technologies*—Developing countries have to be able to make the most efficient use of their factors of production—and to exploit their comparative advantage of abundant labour. Tax and price policies should, where appropriate, try to encourage labour-intensive employment.

- *Public works programmes*—Where private markets consistently fail to produce sufficient jobs, in certain regions or at certain times of the year, it may be necessary for the state to offer employment through public works programmes to enable people to survive.
- *Disadvantaged groups*—Where markets tend to discriminate against particular groups, such as women or certain ethnic groups, the state may need to consider targeted interventions or programmes of affirmative action.
- *Job-sharing*—With the growing phenomenon of “jobless growth”, it has become necessary to rethink the concept of work and to consider more innovative and flexible working arrangements—including job-sharing.

effort and institutional support. Individual initiative needs to be combined both with judicious public policy and with participatory community organizations.

The capabilities that individuals attain depend on many circumstances over which they may not have much control. For example, a child who is not sent to school, is not taught any skills or is not given much support might still do well in life—given unusual initiative, ability or luck. But the cards are stacked very firmly against that child.

If a girl faces discrimination early in life—because she is fed less than her brothers, is sent to school later or not at all or is subjected to physical abuse—the scars she suffers may last all her life and may even be passed on to her offspring. Similarly, the life claims of a black child in the slums of the United States or South Africa are unlikely to be fully honoured.

This is where public policy and community organizations are important. Social policies can make a critical difference in what people can achieve—by preventing discrimination, by enhancing education and skill formation, by expanding employment opportunities and by safeguarding the rewards of individual initiative and enterprise. But states can also seriously limit the choices that the majority of its citizens might otherwise enjoy—by spending more on soldiers than on teachers, more on costly urban hospitals than on primary health care or more on entrenched elitist groups than on the marginalized poor.

This complementarity between individual action and public policy—important for the present generations—is even more important for future generations and for the sustainability of human development. Whether the concern is with restricting pollution, limiting the emissions of greenhouse gases, preventing the destruction of forests and natural habitats or averting premature depletion of exhaustible resources, today's institutions have to persuade today's generations to take adequate note of the interests and rights of the generations yet to come. They can also offer people direct incentives—to encourage people to economize on consumption patterns harmful to future generations—through owner-

ship rights, for example, or through taxes and subsidies.

In a paradigm of sustainable human development, individuals and institutions must become allies in the common cause of enhancing life opportunities—for present and future generations. For this to happen, the foundations of a civil society must be firmly established, with the government fully accountable to the people. The tension between markets and governance—between individual initiative and public policy—must cease if the aim is to widen the range of human choices, for now and for the future.

Policy strategies

Sustainability needs to be ensured in all sectors of the economy and at all levels of developmental action. It would require far-reaching changes in both national and global policies.

At the national level, new balances must be struck between the efficiency of competitive markets, the legal and regulatory frameworks that only governments can provide, the investments to enhance the capabilities of all and the provision of social safety nets for those with unequal access to the markets. Balances between the compulsions of today and the needs of tomorrow, between private initiative and public action, between individual greed and social compassion are sorely needed for this purpose.

The essence and test of sustainable human development strategies must be to ensure a sustainable livelihood for all. These strategies—especially at the national level—will thus have to focus on three core themes: poverty reduction, employment creation and social integration—in short, participation (boxes 1.1, 1.2 and 1.3).

At the global level, sustainable human development requires no less than a new global ethic. Universalism in the recognition of life claims and concern for common survival must lead to policies for a more equitable world order, based on fundamental

global reforms, some of which will be discussed in chapter 4. The concept of sustainability is greatly endangered in a world that is one-fourth rich and three-fourths poor, that is half democratic and half authoritarian, where poor nations are being denied equal access to global economic opportunities, where the income disparity between the richest 20% and the poorest 20% of the world's population has doubled over the past three decades, where one-fourth of humanity is unable to meet its basic human needs and where the rich nations are consuming four-fifths of humanity's natural capital without being obliged to pay for it. The concept of one world and one planet simply cannot emerge from an unequal world. Nor can shared responsibility for the health of the global commons be created without some measure of shared global prosperity. Global sustainability without global justice will always remain an elusive goal.

If this challenge is not met—and met decisively—human security will be at risk all over the world, an issue taken up in chapter 2.

Individuals and institutions must become allies in the common cause of enhancing life opportunities—for present and future generations

Social integration

BOX 1.3

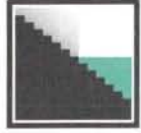
One of the main concerns of many countries in the years ahead must be to avoid violent social dislocations—particularly conflicts between ethnic groups. To achieve this, they will have to take decisive measures to promote more equal opportunities for all. Such measures include the following:

- *Equality before the law*—The first essential step towards an integrated society is to ensure that each person enjoys the same basic legal rights.
- *Minority rights*—To protect diversity, the state must ensure that minorities are accorded specific rights by law, including to maintain their culture, and that these rights are respected in practice.

Antidiscrimination policies—Governments need to take firm measures to counter discrimination and to apply stiff

penalties for infringement.

- *Education*—One of the best ways to encourage social integration is to ensure that all sections of society have access to basic educational opportunities that respect diverse cultures and traditions.
- *Employment*—To ensure that employment opportunities are available on a non-discriminatory basis, the state may have to exercise positive discrimination through affirmative action in favour of the most disadvantaged and marginalized groups, including women.
- *Governance*—Social integration can be greatly enhanced by bringing government closer to the people, through devolution, decentralization and accountability, by promoting grass-roots organizations and by creating avenues for direct participation.



New dimensions of human security

We need another profound transition in thinking—from nuclear security to human security

Fifty years ago, Albert Einstein summed up the discovery of atomic energy with characteristic simplicity: "Everything changed." He went on to predict: "We shall require a substantially new manner of thinking if mankind is to survive." Although nuclear explosions devastated Nagasaki and Hiroshima, humankind has survived its first critical test of preventing worldwide nuclear devastation. But five decades later, we need another profound transition in thinking—from nuclear security to human security.

The concept of security has for too long been interpreted narrowly: as security of territory from external aggression, or as protection of national interests in foreign policy or as global security from the threat of a nuclear holocaust. It has been related more to nation-states than to people. The superpowers were locked in an ideological struggle—fighting a cold war all over the world. The developing nations, having won their independence only recently, were sensitive to any real or perceived threats to their fragile national identities. Forgotten were the legitimate concerns of ordinary people who sought security in their daily lives. For many of them, security symbolized protection from the threat of disease, hunger, unemployment, crime, social conflict, political repression and environmental hazards. With the dark shadows of the cold war receding, one can now see that many conflicts are within nations rather than between nations.

For most people, a feeling of insecurity arises more from worries about daily life than from the dread of a cataclysmic world event. Will they and their families have enough to eat? Will they lose their jobs? Will their streets and neighbourhoods be safe from crime? Will they be tortured by a re-

pressive state? Will they become a victim of violence because of their gender? Will their religion or ethnic origin target them for persecution (box 2.1)?

In the final analysis, human security is a child who did not die, a disease that did not spread, a job that was not cut, an ethnic tension that did not explode in violence, a dissident who was not silenced. Human security is not a concern with weapons—it is a concern with human life and dignity.

The idea of human security, though simple, is likely to revolutionize society in the 21st century. A consideration of the basic concept of human security must focus on four of its essential characteristics:

- Human security is a *universal* concern. It is relevant to people everywhere, in rich nations and poor. There are many threats that are common to all people—such as unemployment, drugs, crime, pollution and human rights violations. Their intensity may differ from one part of the world to another, but all these threats to human security are real and growing.
- The components of human security are *interdependent*. When the security of people is endangered anywhere in the world, all nations are likely to get involved. Famine, disease, pollution, drug trafficking, terrorism, ethnic disputes and social disintegration are no longer isolated events, confined within national borders. Their consequences travel the globe.
- Human security is *easier to ensure through early prevention* than later intervention. It is less costly to meet these threats upstream than downstream. For example, the direct and indirect cost of HIV/AIDS (human immunodeficiency virus/acquired immune deficiency syndrome) was roughly \$240 billion during the 1980s. Even a few

billion dollars invested in primary health care and family planning education could have helped contain the spread of this deadly disease.

- Human security is *people-centred*. It is concerned with how people live and breathe in a society, how freely they exercise their many choices, how much access they have to market and social opportunities—and whether they live in conflict or in peace.

Several analysts have attempted rigorous definitions of human security. But like other fundamental concepts, such as human freedom, human security is more easily identified through its absence than its presence. And most people instinctively understand what security means.

Nevertheless, it may be useful to have a more explicit definition. Human security can be said to have two main aspects. It means, first, safety from such chronic threats as hunger, disease and repression. And second, it means protection from sudden and hurtful disruptions in the patterns of daily life—whether in homes, in jobs or in communities. Such threats can exist at all levels of national income and development.

The loss of human security can be a slow, silent process—or an abrupt, loud emergency. It can be human-made—due to wrong policy choices. It can stem from the forces of nature. Or it can be a combination of both—as is often the case when environmental degradation leads to a natural disaster, followed by human tragedy.

In defining security, it is important that human security not be equated with human development. Human development is a broader concept—defined in previous *Human Development Reports* as a process of widening the range of people's choices. Human security means that people can exercise these choices safely and freely—and that they can be relatively confident that the opportunities they have today are not totally lost tomorrow.

There is, of course, a link between human security and human development: progress in one area enhances the chances of progress in the other. But failure in one area also heightens the risk of failure in the other, and history is replete with examples.

Failed or limited human development

leads to a backlog of human deprivation—poverty, hunger, disease or persisting disparities between ethnic communities or between regions. This backlog in access to power and economic opportunities can lead to violence.

When people perceive threats to their immediate security, they often become less tolerant, as the antiforeigner feelings and violence in Europe show. Or, where people see the basis of their livelihood erode—such as their access to water—political conflict can ensue, as in parts of Central Asia and the Arab States. Oppression and perceptions of injustice can also lead to violent protest against authoritarianism, as in Myanmar and Zaire, where people despair of gradual change.

BOX 2.1

Human security—as people see it

How individuals regard security depends very much on their immediate circumstances. Here are some views of security gathered from around the world, through a special sample survey by UNDP field offices.

Primary school pupil in Kuwait

"I feel secure because I am living with my family and I have friends. However, I did not feel secure during the Iraqi invasion. If a country is at war, how are people supposed to feel secure?"

Woman in Nigeria

"My security is only in the name of the Lord who has made heaven and earth. I feel secure because I am at liberty to worship whom I like, how I like, and also because I can pray for all the people and for peace all over the country."

Fourth-grade schoolgirl in Ghana

"I shall feel secure when I know that I can walk the streets at night without being raped."

Shoe-mender in Thailand

"When we have enough for the children to eat, we are happy and we feel secure."

Man in Namibia

"Robberies make me feel insecure. I sometimes feel as though even my life will be stolen."

Woman in Iran

"I believe that a girl cannot feel secure until she is married and has someone to depend on."

Public administrator in Cameroon

"Security for me means that my job and position are safe and I can continue to provide for the needs of my family and also have something for investment and friends."

Woman in Kyrgyzstan

"Human security indicates faith in tomorrow, not as much having to do with food and clothing, as with stability of the political and economic situation."

Secondary school pupil in Mongolia

"Before, education in this country was totally free, but from this year every student has to pay. Now I do not feel very secure about finishing my studies."

Woman in Paraguay

"I feel secure because I feel fulfilled and have confidence in myself. I also feel secure because God is great and watches over me."

Man in Ecuador

"What makes you feel insecure above all is violence and delinquency—as well as insecurity with respect to the police. Basic services are also an important part of security."

The world will never be secure from war if men and women have no security in their homes and in their jobs

Ensuring human security does not mean taking away from people the responsibility and opportunity for mastering their lives. To the contrary, when people are insecure, they become a burden on society.

The concept of human security stresses that people should be able to take care of themselves: all people should have the opportunity to meet their most essential needs and to earn their own living. This will set them free and help ensure that they can make a full contribution to development—their own development and that of their communities, their countries and the world. Human security is a critical ingredient of participatory development.

Human security is therefore not a defensive concept—the way territorial or military security is. Instead, human security is an integrative concept. It acknowledges the universalism of life claims that was discussed in chapter 1. It is embedded in a notion of solidarity among people. It cannot be brought about through force, with armies standing against armies. It can happen only if we agree that development must involve all people.

Human security thus has many components. To clarify them, it helps to examine them in detail.

Components of human security

There have always been two major components of human security: freedom from fear and freedom from want. This was recognized right from the beginning of the United Nations. But later the concept was tilted in favour of the first component rather than the second.

The founders of the United Nations, when considering security, always gave equal weight to territories and to people. In 1945, the US secretary of state reported to his government on the results of the conference in San Francisco that set up the United Nations. He was quite specific on this point:

The battle of peace has to be fought on two fronts. The first is the security front where victory spells freedom from fear. The second is the economic and social front where victory means

freedom from want. Only victory on both fronts can assure the world of an enduring peace.... No provisions that can be written into the Charter will enable the Security Council to make the world secure from war if men and women have no security in their homes and their jobs.

It is now time to make a transition from the narrow concept of national security to the all-encompassing concept of human security.

People in rich nations seek security from the threat of crime and drug wars in their streets, the spread of deadly diseases like HIV/AIDS, soil degradation, rising levels of pollution, the fear of losing their jobs and many other anxieties that emerge as the social fabric disintegrates. People in poor nations demand liberation from the continuing threat of hunger, disease and poverty while also facing the same problems that threaten industrial countries.

At the global level, human security no longer means carefully constructed safeguards against the threat of a nuclear holocaust—a likelihood greatly reduced by the end of the cold war. Instead, it means responding to the threat of global poverty travelling across international borders in the form of drugs, HIV/AIDS, climate change, illegal migration and terrorism. The prospect of collective suicide through an impulsive resort to nuclear weapons was always exaggerated. But the threat of global poverty affecting all human lives—in rich nations and in poor—is real and persistent. And there are no global safeguards against these real threats to human security.

The concept of security must thus change urgently in two basic ways:

- From an exclusive stress on territorial security to a much greater stress on people's security.
- From security through armaments to security through sustainable human development.

The list of threats to human security is long, but most can be considered under seven main categories:

- Economic security
- Food security
- Health security

- Environmental security
- Personal security
- Community security
- Political security.

Economic security

Economic security requires an assured basic income—usually from productive and remunerative work, or in the last resort from some publicly financed safety net. But only about a quarter of the world's people may at present be economically secure in this sense.

Many people in the rich nations today feel insecure because jobs are increasingly difficult to find and keep. In the past two decades, the number of jobs in industrial countries has increased at only half the rate of GDP growth and failed to keep pace with the growth in the labour force. By 1993, more than 35 million people were seeking work, and a high proportion were women.

Young people are more likely to be unemployed: in the United States in 1992, youth unemployment reached 14%, in the United Kingdom 15%, in Italy 33% and in Spain 34%. Often, the unemployment rate also varies with ethnic origin. In Canada, the unemployment rate among indigenous people is about 20%—twice that for other Canadians. And in the United States, the unemployment rate for blacks is twice that for whites.

Even those with jobs may feel insecure if the work is only temporary. In 1991 in Finland, 13% of the employed were temporary workers, and the figures were even higher elsewhere—15% in Greece, 17% in Portugal, 20% in Australia and 32% in Spain. Some people do, of course, choose to work on a temporary basis. But in Spain, Portugal, Greece, Belgium and the Netherlands, more than 60% of workers in temporary jobs accepted them because they could not find full-time employment. To have work for everybody, industrial countries are experimenting with job-sharing.

The problems are even greater in developing countries, where open registered unemployment is commonly above 10%, and total unemployment probably way beyond

that. Again, this is a problem especially for young people: for youths in Africa in the 1980s, the open unemployment rate was above 20%. And it is one of the main factors underlying political tensions and ethnic violence in several countries. But unemployment figures understate the real scale of the crisis since many of those working are seriously underemployed. Without the assurance of a social safety net, the poorest cannot survive even a short period without an income. Many of them, however, can rely on family or community support. Yet that system is rapidly breaking down. So, the unemployed must often accept any work they can find, however unproductive or badly paid.

The most insecure working conditions are usually in the informal sector, which has a high proportion of total employment. In 1991, it accounted for 30% of all jobs in Latin America and 60% of those in Africa.

The global shift towards more “precarious” employment reflects changes in the structure of industry. Manufacturing jobs have been disappearing, while many of the new opportunities are in the service sector, where employment is much more likely to be temporary or part-time—and less protected by trade unions.

For many people, the only option is self-employment. But this can be even less secure than wage employment, and those at the bottom of the ladder find it difficult to make ends meet. In the rural areas, the poorest farmers have little access to land, whose distribution can be gauged by the Gini coefficient—a measure of inequality that ranges from 0 (perfect equality) to 1 (absolute inequality). In Kenya, the Gini coefficient for land is 0.77, in Saudi Arabia 0.83 and in Brazil 0.86. And even those who have some land or know of productive investment opportunities often find it difficult to farm and invest effectively because they have little access to credit. This, despite the mounting evidence that the poor are creditworthy. In many developing countries, 40% of the people receive less than 1% of total credit.

The shift to more precarious work has been accompanied by increasing insecurity of incomes. Nominal wages have remained

Only about a quarter of the world's people may at present be economically secure

stagnant, or risen only slowly, but inflation has sharply eroded their value. Some of the worst examples of inflation in the 1980s: Nicaragua 584%, Argentina 417%, Brazil 328% and Uganda 107%; and in the 1990s: Ukraine 1,445%, Russian Federation 1,353% and Lithuania 1,194%.

As a result, real wages in many parts of the world have declined. In Latin America in the 1980s, they fell by 20%, and in many African countries during the same period, the value of the minimum wage dropped sharply—by 20% in Togo, 40% in Kenya and 80% in Sierra Leone. Worse off are women—who typically receive wages 30–40% lower than those of men for doing the same jobs. In Japan and the Republic of Korea, women in manufacturing jobs earn only about half as much as men.

Income insecurity has hit industrial countries as well. In the European Union, 44 million people (some 28% of the workforce) receive less than half the average income of their country. In the United States, real earnings fell by 3% through the 1980s. Minority ethnic groups are usually among the hardest hit: in Canada, nearly half the indigenous people living on reservations now rely on transfer payments for their basic needs.

Some sections of the population face a particularly difficult situation. In 1994, about 65 million disabled people need training and job placement to attain economic security. Only 1% will receive mean-

ingful services. The disabled are, by and large, found among the poorest quarter of the population. And their unemployment rate is as high as 84% in Mauritius and 46% in China.

With incomes low and insecure, many people have to look for more support from their governments. But they often look in vain. Most developing countries lack even the most rudimentary forms of social security, and budgetary problems in industrial countries have unravelled social safety nets. In the United States between 1987 and 1990, the real benefits per pensioner declined by 40%, and in Austria by 50%. In Germany, where maternity compensation has already been cut to 25% of full pay, the government decided that over the next three years unemployment and welfare payments will be cut by some \$45 billion—the largest cut in postwar German history.

The result: increasing poverty. In both the United States and the European Union, nearly 15% of the people live below the poverty line. The incidence of poverty varies with ethnic origin. In Germany, while the national average has been estimated at 11%, the incidence of poverty among foreign-born residents is 24%. But the most acute problems are in the developing countries, where more than a third of the people live below the poverty line—and more than one billion people survive on a daily income of less than \$1.

One of economic insecurity's severest effects is homelessness. Nearly a quarter of a million New Yorkers—more than 3% of the city's population and more than 8% of its black children—have stayed in shelters over the past five years. London has about 400,000 registered homeless people. France has more than 500,000—nearly 10,000 in Paris. The situation is much worse in developing countries. In Calcutta, Dhaka and Mexico City, more than 25% of the people constitute what is sometimes called a "floating population".

Figures 2.1 and 2.2 give selected indicators of economic insecurity. For industrial countries, these indicators refer to job security. But for developing countries, because of data limitations, the data refer only to income security.

FIGURE 2.1
Falling incomes threaten human security

1991 GNP per capita as a percentage of 1980's

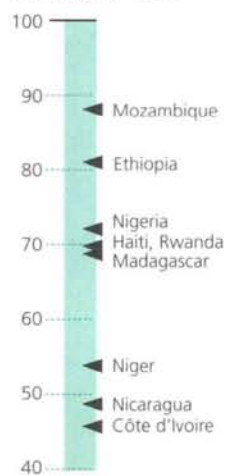
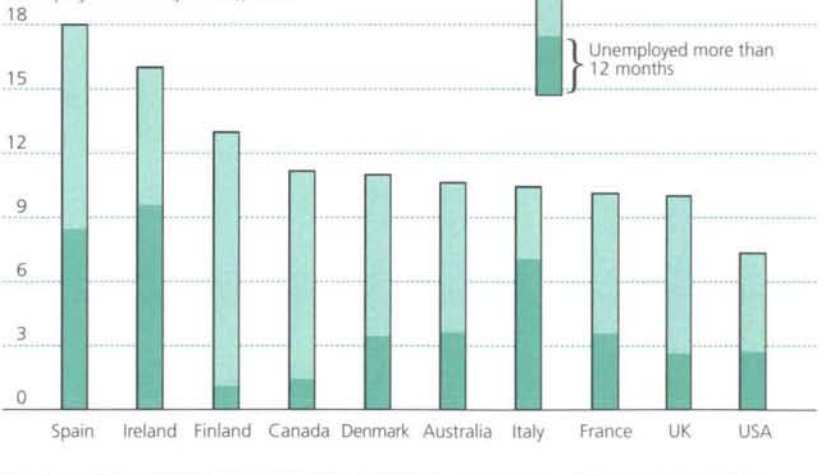


FIGURE 2.2
High unemployment in industrial countries

Unemployment rate (percent), 1992



Food security

Food security means that all people at all times have both physical and economic access to basic food. This requires not just enough food to go round. It requires that people have ready access to food—that they have an “entitlement” to food, by growing it for themselves, by buying it or by taking advantage of a public food distribution system. The availability of food is thus a necessary condition of security—but not a sufficient one. People can still starve even when enough food is available—as has happened during many famines (box 2.2).

The overall availability of food in the world is not a problem. Even in developing countries, per capita food production increased by 18% on average in the 1980s. And there is enough food to offer everyone in the world around 2,500 calories a day—200 calories more than the basic minimum.

But this does not mean that everyone gets enough to eat. The problem often is the poor distribution of food and a lack of purchasing power. Some 800 million people around the world go hungry. In Sub-Saharan Africa, despite considerable increases in the availability of food in recent years, some 240 million people (about 30% of the total) are undernourished. And in South Asia, 30% of babies are born underweight—the highest ratio for any region in the world and a sad indication of inadequate access to food, particularly for women, who are often the last

to eat in the household. Table 2.1 gives selected indicators of food security in developing countries.

Government and international agencies have tried many ways of increasing food security—at both national and global levels. But these schemes have had only a limited impact. Access to food comes from access to assets, work and an assured income. And unless the question of assets, employment and income security is tackled upstream, state interventions can do little for food insecurity downstream.

Health security

In developing countries, the major causes of death are infectious and parasitic diseases, which kill 17 million people annually, including 6.5 million from acute respiratory infections, 4.5 million from diarrhoeal diseases and 3.5 million from tuberculosis. Most of these deaths are linked with poor nutrition and an unsafe environment—particularly polluted water, which contributes to the nearly one billion cases of diarrhoea a year.

In industrial countries, the major killers are diseases of the circulatory system (5.5 million deaths a year), often linked with diet and life style. Next comes cancer, which

People go hungry not because food is unavailable—but because they cannot afford it

TABLE 2.1
Indicators of food security in selected countries

Country	Food production per capita index (1979/81 = 100) 1991	Food import dependency ratio index (1969/71 = 100) 1988/90	Daily per capita calorie supply as % of requirements 1988–90
Ethiopia	86	855	71
Afghanistan	71	193	76
Mozambique	77	300	77
Angola	79	366	80
Rwanda	84	322	80
Somalia	78	134	81
Sudan	80	156	83
Burundi	91	165	85
Haiti	84	364	94

Starvation amid plenty—the Bengal famine of 1943

BOX 2.2

Famines are commonly thought of as Nature’s revenge on hapless humanity. Although Nature can certainly create local food shortages, human beings turn these shortages into widespread famines. People go hungry not because food is unavailable—but because they cannot afford it.

The Bengal famine of 1943 shows why. Between two million and three million lives were lost, even though there was no overall shortage of food. In fact, the per capita supply of foodgrains in 1943 was 9% higher than in 1941.

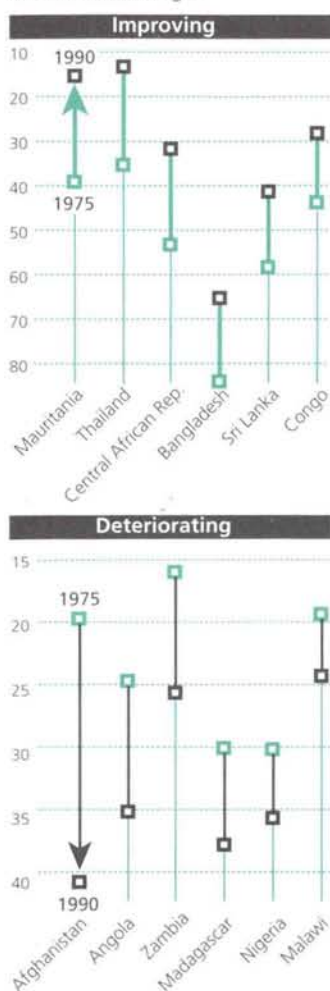
The famine was partly a product of an economic boom. Sudden increases in war-related activities exerted powerful inflationary pressures on the economy and caused food prices to rise. In the urban areas, those with work could pay these prices. But in the rural areas, agri-

cultural labourers and other workers found they could no longer afford to eat, and thousands headed for the cities, particularly Calcutta, in the hope of survival. Prices were then driven even higher by speculation and panic buying.

The famine could probably have been averted by timely government action. But the colonial government did nothing to stop hoarding by producers, traders and consumers. The general policy was “wait and see”. Relief work was totally inadequate, and the distribution of foodgrains to the rural districts was inefficient. Even in October 1943, with 100,000 sick and destitute people on the streets of Calcutta, the government continued to deny the existence of a famine.

The result was one of the largest man-made catastrophes of our time.

FIGURE 2.3
Children's health
 Percentage of children under 5 who are underweight



in many cases has environmental causes. In the United States, there are considered to be 18 major cancer-causing environmental risks, with indoor pollution at the top of the list.

In both developing and industrial countries, the threats to health security are usually greater for the poorest, people in the rural areas and particularly children (figure 2.3). In the developing countries in 1990, safe water was available to 85% of urban people but to only 62% of rural people. In industrial countries, the poor and the racial minorities are more exposed to disease. In the United States, one-third of whites live in areas polluted by carbon monoxide, but the figure for blacks is nearly 50%. In 1991, life expectancy was 72 years for Canada's indigenous people, compared with 77 years for all Canadians.

The disparities between rich and poor are similar for access to health services. In the industrial countries on average, there is 1 doctor for every 400 people, but for the developing countries there is 1 for nearly 7,000 people (in Sub-Saharan Africa the figure is 1 per 36,000). There also are marked disparities in health spending among developing countries. The Republic of Korea spends \$377 per capita annually on health care, but Bangladesh only \$7.

People in the industrial countries are much more likely to have access to health care, but even here the disparities in health security are sharp—and for many people getting worse. In the United States between 1989 and 1992, the number of people without health insurance increased from 35 million to 39 million.

While poor people in general have less health security, the situation for women is particularly difficult. One of the most serious hazards they face is childbirth: more than three million women die each year from causes related to childbirth. Most of these deaths could be prevented by ensuring access to safe and affordable family planning and offering the most basic support at home during pregnancy and delivery, with the option of referrals to clinics or hospitals for women with evident complications.

The widest gap between the North and the South in any human indicator is in maternal mortality—which is about 18 times greater in the South. Thus a miracle of life often turns into a nightmare of death just because a society cannot spare the loose change to provide a birth attendant at the time of the greatest vulnerability and anxiety in a woman's life.

Another increasing source of health insecurity for both sexes is the spread of HIV and AIDS (box 2.3). Around 15 million people are believed to be HIV-positive—80% of them in developing countries. By 2000, this figure may rise to 40 million (13 million of them women).

Environmental security

Human beings rely on a healthy physical environment—curiously assuming that whatever damage they inflict on the earth, it will eventually recover. This clearly is not the case, for intensive industrialization and rapid population growth have put the planet under intolerable strain.

The environmental threats countries are facing are a combination of the degradation of local ecosystems and that of the global system. The threats to the global environment are discussed later. Here the focus is environmental threats within countries.

BOX 2.3

HIV and AIDS—a global epidemic

The cumulative number of HIV-infected people worldwide is now around 15 million, with more than 12.5 million in developing countries—9 million in Sub-Saharan Africa, 1.5 million in Latin America and 2 million in Asia.

Most HIV-infected people live in urban areas, and 70% are in the prime productive ages of 20–40 years. One million are children. In the United States, AIDS is now the prime cause of death for men aged 25–44, and the fourth most important for women in that age group. The cumulative direct and indirect costs of HIV and AIDS in the 1980s have been conservatively estimated at \$240 billion. The social and psychological costs of the epidemic for individuals, families, communities and nations are also huge—but inestimable.

Future projections are alarming. By 2000, the number of HIV-infected people is expected to rise to between 30 and 40 million—13 million of them women. By that time, the epidemic would have left more than nine million African children as orphans.

The geographical distribution of HIV and AIDS is changing. In the mid-1980s, the epidemic was well-established in North America and Africa, but by 2000, most of the new infections will be in Asia. In Thailand today, there are an estimated 500,000 HIV-infected people, and in India, more than a million.

The global cost—direct and indirect—of HIV and AIDS by 2000 could be as high as \$500 billion a year—equivalent to more than 2% of global GDP.

In developing countries, one of the greatest environmental threats is that to water. Today, the world's supply of water per capita is only one-third of what it was in 1970. Water scarcity is increasingly becoming a factor in ethnic strife and political tension. In 1990, about 1.3 billion people in the developing world lacked access to clean water (figure 2.4). And much water pollution is the result of poor sanitation: nearly two billion people lack access to safe sanitation.

But people in developing countries have also been putting pressure on the land. Some eight to ten million acres of forest land are lost each year—areas the size of Austria. And deforestation combined with overgrazing and poor conservation methods is accelerating desertification. In Sub-Saharan Africa alone in the past 50 years, 65 million hectares of productive land turned to desert.

Even irrigated land is under threat—from salt residues. Salinization damage affects 25% of the irrigated land in Central Asia, and 20% in Pakistan.

In industrial countries, one of the major environmental threats is air pollution. Los Angeles produces 3,400 tons of pollutants each year, and London 1,200 tons. Harmful to health, this pollution also damages the natural environment. The deterioration of Europe's forests from air pollution causes economic losses of \$35 billion a year. And the estimated annual loss of agricultural production due to air pollution is \$1.5 billion in Sweden, \$1.8 billion in Italy, \$2.7 billion in Poland and \$4.7 billion in Germany.

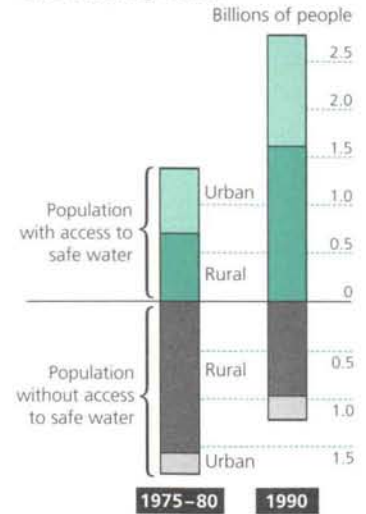
Although the character of environmental damage differs between industrial and developing countries, the effects are similar almost everywhere. Salinization is also severe in the United States. And air pollution is also acute in cities in the developing world. Mexico City produces 5,000 tons of air pollutants a year, and in Bangkok, air pollution is so severe that more than 40% of the city's traffic police reportedly suffer from respiratory problems.

Many environmental threats are chronic and long-lasting. Others take on a more sudden and violent character. Bhopal and Chernobyl are the more obvious sudden en-

vironmental catastrophes. Many chronic "natural" disasters in recent years have also been provoked by human beings. Deforestation has led to more intense droughts and floods. And population growth has moved people into areas prone to cyclones, earthquakes or floods—areas always considered dangerous and previously uninhabited (box 2.4). Poverty and land shortages are doing the same—driving people onto much more marginal territory and increasing their exposure to natural hazards. The result: disasters are more significant and more frequent. During 1967–91, disasters hit three billion people—80% of them in Asia. More than seven million people died, and two million were injured.

Most developing countries have plans to cope with natural emergencies—Bangla-

FIGURE 2.4
More than a billion people in developing countries still lack safe drinking water



The rising tide of disasters

BOX 2.4

The frequency and severity of disasters have increased sharply over the past two decades. There were 16 major disasters in the 1960s, 29 in the 1970s and 70 in the 1980s.

According to the International Federation of Red Cross and Red Crescent Societies, the major causes of deaths from natural disasters during 1967–91 were droughts (1.3 million), cyclones (0.8 million), earthquakes (0.6 million) and floods (0.3 million). But accounting for the largest number of disaster incidents over the period were floods (1,358), followed by accidents (1,284). A disaster is defined as an event that has killed at least ten people, or affected at least 100.

Probably the most significant cause of the rise in the number and impact of disasters is population growth, which is forcing people to live in more marginal and dangerous places—low-lying land liable to flooding or areas close to active volcanoes. And as more and more of the planet is settled, earthquakes are more likely to strike inhabited areas. Population increases and industrial development also lead to environmental degradation. Deforestation and overgrazing, for example, have increased the number and severity of droughts and floods.

Poor people are much more exposed to disasters than are rich ones. It is they

who occupy the steep hillsides vulnerable to landslides. It is they who occupy the fragile delta islands that lie in the paths of cyclones. And it is they who live in the crowded and poorly built slum buildings shaken to the ground by earthquakes.

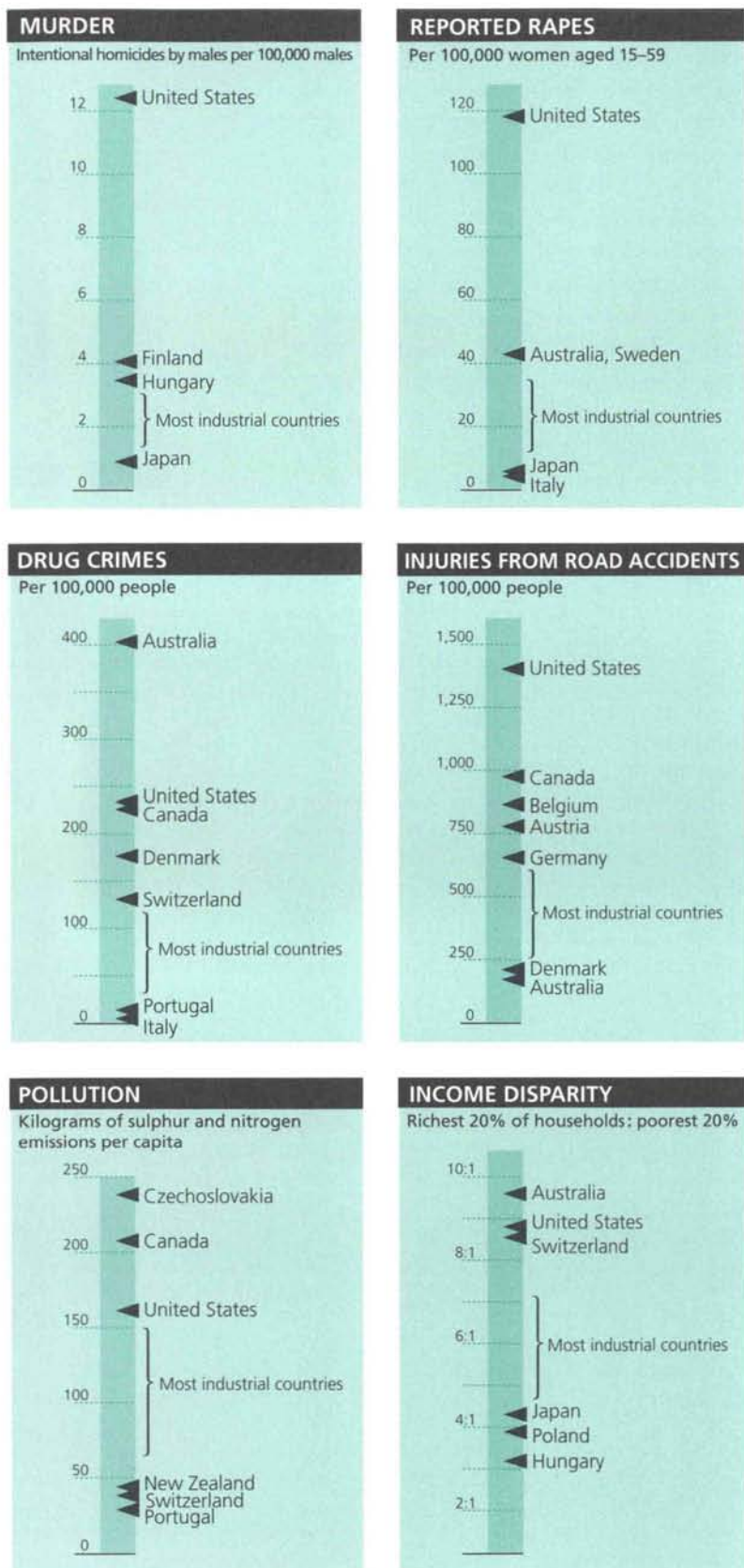
There also are international disparities. Droughts or floods in Africa do much more damage than those in North America. So, of the global disaster incidents between 1967 and 1991, 22% were in the Americas and 15% in Africa. But 60% of the resulting deaths were in Africa, and only 6% in the Americas. Poor nations obviously are less equipped to cope with natural disasters.

Disasters also cause considerable economic damage, and here too the figures have been rising. Global losses for the 1960s were estimated at \$10 billion, for the 1970s at \$30 billion and for the 1980s at \$93 billion. Most of these losses (over 60%) were in the industrial countries—though as a proportion of GNP, the economic costs were higher for the developing countries.

Disasters in developing countries are an integral part of their poverty cycle. Poverty causes disasters. And disasters exacerbate poverty. Only sustainable human development—which increases the security of human beings and of the planet we inhabit—can reduce the frequency and impact of natural disasters.

FIGURE 2.5

Profile of human distress in industrial countries



desh, for example, has an elaborate warning system for cyclones arriving in the Bay of Bengal. Sometimes the scale is beyond national resources and calls for international action. Responses, however, are often slow, inadequate and uncoordinated. Current humanitarian efforts, particularly in the UN system, are seriously underfunded. And many of the most vulnerable people perish before any international help arrives.

Personal security

Perhaps no other aspect of human security is so vital for people as their security from physical violence. In poor nations and rich, human life is increasingly threatened by sudden, unpredictable violence. The threats take several forms:

- Threats from the state (physical torture)
- Threats from other states (war)
- Threats from other groups of people (ethnic tension)
- Threats from individuals or gangs against other individuals or gangs (crime, street violence)
- Threats directed against women (rape, domestic violence)
- Threats directed at children based on their vulnerability and dependence (child abuse)
- Threats to self (suicide, drug use).

In many societies, human lives are at greater risk than ever before (figure 2.5). For many people, the greatest source of anxiety is crime, particularly violent crime. Many countries report disturbing trends. In 1992 in the United States, 14 million crimes were reported to the police. These crimes exact a serious economic toll—estimated at \$425 billion a year. Reported crimes in Germany in the same year went up by 10%. In the second half of the 1980s, the murder rate in Italy and Portugal doubled, and in Germany it tripled. The increase in crime is often connected with drug trafficking. In Canada, 225 people in every 100,000—and in Australia, 400—suffer each year from drug-related crimes. In the second half of the 1980s, drug-related crimes roughly doubled in Denmark and in Norway—and increased more than thirtyfold in Japan.

Crime and violence are also facts of life in developing countries. Four children are murdered every day in Brazil, where the killing of minors has increased by 40% in the past year. In Kenya in 1993, there were 3,300 reported car thefts—an increase of 200% over 1991. In China, violent crime and rape are on the increase.

Industrial and traffic accidents also present great risks. In industrial countries, traffic accidents are the leading cause of death for people aged 15–30—with some of the highest injury rates in Austria, Belgium, Canada and the United States. And in developing countries, traffic accidents account for at least 50% of total accidental deaths. The highway death toll in South Africa in 1993 was 10,000, three times the number of deaths from political violence.

Violence in the workplace has also increased. In 1992, more than two million US workers were physically attacked at their workplace, nearly 6.5 million others were threatened with violence, and 16 million were harassed in some way. The cost of all this in lost work and legal expenses came to more than \$4 billion. About a sixth of the deaths on the job in that year were homicides.

Among the worst personal threats are those to women. In no society are women secure or treated equally to men. Personal insecurity shadows them from cradle to grave. In the household, they are the last to eat. At school, they are the last to be educated. At work, they are the last to be hired and the first to be fired. And from childhood through adulthood, they are abused because of their gender.

True, women are getting better educated and entering employment, often as primary income-earners. Millions of women are now heads of households—one-third of households in the world as a whole, and up to one-half in some African countries, where women produce nearly 90% of the food. But there still are many shocking indicators of gender insecurity and physical violence. It was recently estimated that one-third of wives in developing countries are physically battered. One woman in 2,000 in the world is reported to have been raped. In

the United States, there were more than 150,000 reported rapes in 1993 alone. Sexual harassment on the job is common. In India, women's groups claim that there are about 9,000 dowry-related deaths each year. For 1992, the government estimates that the figure was 5,000.

Children, who should be the most protected in any society, are subject to many abuses. In the United States, nearly three million children were recently reported to be victims of abuse and neglect, and in 1992, nearly 7,000 US children (20 a day) died from gunshot wounds. In developing countries, poverty compels many children to take on heavy work at too young an age—often at great cost to their health. In Brazil, more than 200,000 children spend their lives on the streets. Even conservative estimates put the combined number of child prostitutes in Thailand, Sri Lanka and the Philippines at 500,000.

Community security

Most people derive security from their membership in a group—a family, a community, an organization, a racial or ethnic group that can provide a cultural identity and a reassuring set of values. Such groups also offer practical support. The extended family system, for example, offers protection to its weaker members, and many tribal societies work on the principle that heads of households are entitled to enough land to support their family—so land is distributed accordingly.

But traditional communities can also perpetuate oppressive practices: employing bonded labour and slaves and treating women particularly harshly. In Africa, hundreds of thousands of girls suffer genital mutilation each year because of the traditional practice of female circumcision.

Some of these traditional practices are breaking down under the steady process of modernization. The extended family is now less likely to offer support to a member in distress. Traditional languages and cultures are withering under the onslaught of mass media. On the other hand, many oppressive practices are being fought by people's organizations and through legal action.

In no society are women secure or treated equally to men

Ethnic tensions are on the rise, often over limited access to opportunities

Traditional communities, particularly ethnic groups, can also come under much more direct attack—from each other. About 40% of the world's states have more than five sizable ethnic populations, one or more of which faces discrimination. In several nations, ethnic tensions are on the rise, often over limited access to opportunities—whether to social services from the state or to jobs from the market. Individual communities lose out, or believe they lose out, in the struggle for such opportunities. As a result, about half of the world's states have recently experienced some interethnic strife. And this has been especially serious where national conflict was exacerbated by cold war rivalry.

Ethnic clashes often have brutal results (table 2.2). Since 1983 in Sri Lanka, more than 14,000 people have died in the conflict between the Tamils and the Sinhalese. Since 1981 in former Yugoslavia, more than 130,000 people have been killed and more than 40,000 helpless women reportedly raped in what shamelessly was named “ethnic cleansing”, while most of the world watched silently from the sidelines. In Somalia in 1993, there were up to 10,000 casualties—about two-thirds of them women and children—from clashes between rival factions or with UN peacekeepers.

TABLE 2.2
Ethnic and religious conflicts

Country	Group rebellion ^a 1980–89	Major armed conflicts ^b 1989–92	Refugees from the country (thousands) 1992
Afghanistan	yes	yes	4,720
Mozambique	no	yes	1,730
Iraq	yes	yes	1,310
Somalia	yes	yes	870
Ethiopia	yes	yes	840
Liberia	no	yes	670
Angola	yes	yes	400
Myanmar	yes	yes	330
Sudan	yes	yes	270
Sri Lanka	yes	yes	180

a. Group rebellion occurs when non-state communal groups arm themselves and organize more than 1,000 fighters and engage in violent activities against other such groups.

b. Major armed conflicts are defined as contested conflicts that concern government or territory, in which there is use of armed force by the two parties, of which at least one is the government (or parts of government) of a state, and which has resulted in more than 1,000 battle-related deaths during the course of the conflict.

The United Nations declared 1993 the Year of Indigenous People to highlight the continuing vulnerability of the 300 million aboriginal people in 70 countries. In Venezuela in 1986, there were 10,000 Yanomami people—but now their survival is increasingly in danger. Indigenous groups often lose their traditional freedom of movement. During the drought of the 1970s, the one million Tuareg nomads in the Sahara found it much more difficult to move their herds to faraway water holes, and as many as 125,000 people starved to death.

Indigenous people also face widening spirals of violence. In Canada, an indigenous person is six times more likely to be murdered than other Canadians. And symptoms of depression and despair are all too common: in 1988, there were a reported 40 suicides per 100,000 indigenous people, nearly three times the national rate. Nobel Peace Prize winner Rigoberta Menchú gives her view of the importance of the International Decade of Indigenous People (special contribution, facing page).

Political security

One of the most important aspects of human security is that people should be able to live in a society that honours their basic human rights.

In this respect, at least, there has been considerable progress. The 1980s were in many ways a decade of democratic transition—as many military dictatorships ceded power to civilian administrations and one-party states opened themselves up to multi-party elections.

Yet there still is a long way to go in protecting people against state repression. According to a 1993 survey by Amnesty International, political repression, systematic torture, ill treatment or disappearance was still practised in 110 countries.

Human rights violations are most frequent during periods of political unrest. In 1992, Amnesty International concluded that unrest resulted in human rights violations in 112 countries, and in 105 countries there were reports of political detention and imprisonment. Unrest commonly results in military intervention—as in 64

countries. But the police can also be used as agents of repression—they are commonly cited as the perpetrators of human rights violations in both Eastern and Western Europe.

Along with repressing individuals and groups, governments commonly try to exercise control over ideas and information. UNESCO's index of press freedom finds the least free areas to be North Africa, Western Asia and South Asia.

One of the most useful indicators of political insecurity in a country is the priority the government accords military strength—since governments sometimes use armies to repress their own people. If a government is

more concerned about its military establishment than its people, this imbalance shows up in the ratio of military to social spending (table 2.3). The two nations with the highest ratios of military spending to education and health spending in 1980 were Iraq (8 to 1) and Somalia (5 to 1). Is it any surprise that these two nations ran into serious trouble during the 1980s and that the same powers that supplied them arms a decade ago are now struggling to disarm them?

Among these seven elements of human security are considerable links and overlaps. A threat to one element of human security is likely to travel—like an angry typhoon—to all forms of human security.

SPECIAL CONTRIBUTION

The International Decade of Indigenous People

We believe in the wisdom of our ancestors and wise people who passed on to us their strength and taught us the art of language—enabling us to reaffirm the validity of our thousand-year-old history and the justice of our struggle.

My cause was not born out of something good, it was born out of wretchedness and bitterness. It has been radicalized by the poverty in which my people live. It has been radicalized by the malnutrition which I, as an Indian, have seen and experienced. And by the exploitation and discrimination which I have felt in the flesh. And by the oppression which prevents us from performing our ceremonies, and shows no respect for our way of life, the way we are. At the same time, they've killed the people dearest to me. Therefore, my commitment to our struggle knows no boundaries or limits. That is why I have travelled to so many places where I have had the opportunity to talk about my people.

The international struggle has been of vital importance, especially in the last decade. It has resulted in our achieving a world audience at the United Nations. Promoting the rights of indigenous people has been a tremendous challenge, both for the indigenous peoples themselves and for the member states of the United Nations. But in time and with determination, important successes have been achieved. These include the creation of the Task Force on Indigenous Peoples, the proposed Declaration of the United Nations on Indigenous People, the adoption of 1993 as the International Year of Indigenous People and recently the proclamation by the UN General Assembly of 1994 as the preparatory year for the International Decade of the World's Indigenous People.

The marking of the fifth centenary of the arrival of Columbus in America was an opportunity not only to reiterate the justice of the historic claims of the indigenous people but also to demonstrate our readiness to continue the struggle to achieve them. At the same time, it helped stimulate awareness in inter-

national institutions and the communications media of the problems which indigenous people face—as well as explicitly emphasize the significance of our presence within countries and in the world in general.

The International Year of Indigenous People enabled us to strengthen the unity within our organizations, to bring together our aspirations and plans and above all to bear witness to the emptiness and the painful situation of misery, marginalization and humiliation in which we continue to live. The International Year of Indigenous People enabled the indigenous peoples themselves to carry out an enormous number of their own activities and initiatives, including the two summit meetings (Chimaltenango and Oaxtepec). These helped us to bring together our demands and resolutions which we hope the international community will take into account. At the same time, it was possible to disseminate information about the current situation of our people—and start to overcome many of the old cultural and historic prejudices.

I would like to pay my respects to all the organizations, communities, leaders and representatives of indigenous peoples who gave me the wonderful opportunity to bear witness to their aspirations, desires for justice and hopes for peace—in the world of uncertainty, of death and of difficult conditions in which the majority of people currently live. I would also like to reaffirm, together with my fellow indigenous people, our commitment to carry on our own struggle. The International Decade for Indigenous People is one more step towards building new relationships between states and indigenous peoples on the basis of mutual respect.

Rigoberta Menchú, winner of the 1992 Nobel Peace Prize

Global human security

Some global challenges to human security arise because threats within countries rapidly spill beyond national frontiers. Environmental threats are one of the clearest examples: land degradation, deforestation and the emission of greenhouse gases affect climatic conditions around the globe. The trade in drugs is also a transnational phenomenon—drawing millions of people, both producers and consumers, into a cycle of violence and dependency.

Other threats take on a global character because of the disparities between countries—disparities that encourage millions of people to leave their homes in search of a better life, whether the receiving country wants them or not. And in some cases, frustration over inequality can take the form of religious fundamentalism—or even terrorism.

So, when human security is under threat anywhere, it can affect people everywhere. Famines, ethnic conflicts, social disintegration, terrorism, pollution and drug trafficking can no longer be confined within national borders. And no nation can isolate its life from the rest of the world.

This indivisibility of global human security extends to the consequences of both prosperity and poverty. International trade is widening people's range of choices. Instant global communication enables many more to participate in world events as they happen. Every minute, computer networks transfer billions of dollars across international frontiers at the touch of a keyboard.

But if prosperity is becoming globalized, so is poverty, though with much less fanfare. Millions of people migrate to other countries in search of work. Drug traffickers now have one of the best-organized and best-financed international networks. Ethnic tensions can spill over national frontiers. And one person can carry an incurable disease—such as AIDS—to any corner of the world.

Nor does pollution respect borders. And we may yet witness the scary sight of a small nuclear weapon in the hands of a determined international terrorist.

The real threats to human security in the next century will arise more from the actions of millions of people than from aggression by a few nations—threats that will take many forms:

- Unchecked population growth
- Disparities in economic opportunities
- Excessive international migration
- Environmental degradation
- Drug production and trafficking
- International terrorism.

It is in the interest of all nations to discover fresh ways of cooperating to respond to these six emerging threats (and others, should they arise) that constitute the global framework of human insecurity.

Unchecked population growth

The rapid rate of population growth—coupled with a lack of developmental opportunities—is overcrowding the planet, adding to the enormous pressures on diminishing non-renewable resources.

This growth—at the root of global poverty, international migration and environmental degradation—is unprecedented in history. It took one million years to produce the first one billion people on earth. It will now take only ten years to add the next billion to today's 5.5 billion.

The response has to be multifaceted. Certainly, family planning information and services must be available to all those who want them—particularly to the 100 to 200 million couples whose current demand is not being met. But it is folly to treat population growth as a clinical problem. It is a development problem. Indeed, in many societies, human development (especially the education of females) has proven the most powerful contraceptive.

Any plan of action to slow population growth must receive both national and international support, and include both family planning services and targeted human development programmes. A major opportunity to design such a response is the International Conference on Population and Development in Cairo in September 1994.

Despite the considerable international rhetoric on unchecked population growth, population programmes go underfinanced.

TABLE 2.3

Ratios of military to social spending, 1990/91
(military expenditure as % of combined education and health expenditure)

Syrian Arab Rep.	373
Oman	293
Iraq	271
Myanmar	222
Angola	208
Somalia	200
Yemen	197
Qatar	192
Ethiopia	190
Saudi Arabia	151
Jordan	138

The World Bank estimates that if cost-effective methods are adopted, it would take only an additional \$2 billion a year to provide family planning services to the 120 million women in developing countries desiring such services. But this amount has yet to be pledged, just like the \$2.5 billion a year of additional investment it would take to remove gender disparities in education.

Disparities in economic opportunities

During the past five decades, world income increased sevenfold (in real GDP) and income per person more than tripled (in per capita GDP). But this gain has been spread very unequally—nationally and internationally—and the inequality is increasing. Between 1960 and 1991, the share of world income for the richest 20% of the global population rose from 70% to 85%. Over the same period, all but the richest quintile saw their share of world income fall—and the meagre share for the poorest 20% declined from 2.3% to 1.4% (figure 2.6).

One-fifth of humankind, mostly in the industrial countries, thus has well over four-fifths of global income and other developmental opportunities. These disparities reflect many other disparities—in trade, investment, savings and commercial lending. Overall, they reflect unequal access to global market opportunities. Such disparities entail consequences for other aspects of human security. They encourage overconsumption and overproduction in the North, and they perpetuate the poverty-environment link in the South. Inevitably, they breed resentment and encourage migration from poor countries to rich.

Migration pressures

One of the clearest consequences of population growth and deepening poverty in developing countries is the growth in international migration. At least 35 million people from the South have taken up residence in the North in the past three decades—around one million join them each year. Another million or so are working overseas on contracts for fixed periods. The number of illegal international migrants is

estimated to be around 15 to 30 million.

In addition, there are large numbers of refugees. In the developing countries today, there are nearly 20 million internally displaced people—and worldwide, probably around 19 million refugees (figure 2.7).

These pressures are likely to increase. Expanding populations, limited employment opportunities, closed international markets and continuing environmental degradation will force millions more to leave their own countries. But the affluent nations are closing their doors—since they face stagnating economies, high unemployment and the prospect of “jobless growth”.

Sometimes, the policies of the industrial countries intensify migration pressures. First, they restrict employment in developing countries by raising trade and tariff barriers that limit their export potential: if the job opportunities do not move towards the workers, the workers are likely to move towards the job opportunities.

Second, the industrial countries do have a real demand for workers—whether for highly educated scientists or for the unskilled labour to do the difficult manual jobs that their own workers reject. This demand leads to highly ambivalent attitudes towards immigration: official disapproval, with systems of enforcement less effective than they might be so that enough construction workers, fruit pickers or nannies can find their way in.

Control of international migration is not just an administrative issue. It is primarily an economic issue—requiring a new framework of development cooperation that integrates foreign assistance with trade liberalization, technology transfers, foreign investments and labour flows (chapter 4).

Environmental degradation

Most forms of environmental degradation have their most severe impact locally. But other effects tend to migrate. Polluted air drifts inexorably across national frontiers, with sulphur dioxide emissions in one country falling as acid rain in another. About 60% of Europe’s commercial forests suffer damaging levels of sulphur deposition. In Sweden, about 20,000 of the country’s

FIGURE 2.6
The widening gap between the rich and the poor

Ratio of income shares—
richest 20% : poorest 20%
of world population

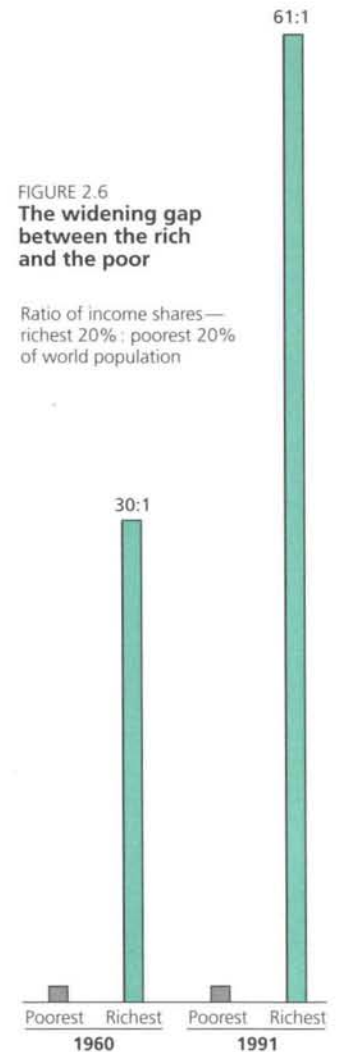
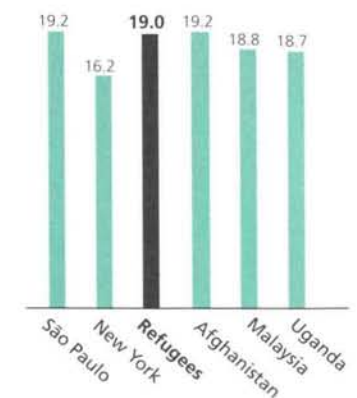


FIGURE 2.7
Refugees of the past three years could populate a major city or a country

Population in millions, 1992



Trade in narcotic drugs is one of the most corrosive threats to human society

90,000 lakes are acidified to some degree; in Canada, 48,000 are acidic. And the source of the problem in these instances is not only within the country.

The emission of chlorofluorocarbons also has an international, indeed a truly global, effect—as the gases released in individual countries attack the ozone layer. In 1989, research teams found that the ozone layer over Antarctica was reduced to only 50% of its 1979 level. And in 1993, satellite measurements over the heavily populated mid-latitudes of the Northern Hemisphere showed the ozone layer to be at record lows, with serious implications for human health. Ozone filters out ultraviolet radiation, which can lead to various kinds of skin cancer. Between 1982 and 1989 in the United States, the incidence of the most dangerous form of skin cancer, melanoma, rose by more than 80%.

The production of greenhouse gases in individual countries also has a global impact. Layers of these gases, including carbon dioxide and methane, accumulating in the upper atmosphere contribute to global warming because they reflect back infrared radiation that would otherwise escape into space. In 1989, the United States and the former Soviet Union were the largest producers of such gases—respectively responsible for 18% and 14% of total emissions. But the effects will be felt all over the globe—and could have their greatest impact on the poorest countries. With a one-metre rise in sea level partly due to global warming, Bangladesh (which produces only 0.3% of global emissions) could see its land area shrink by 17%.

Biological diversity is more threatened now than at any time in the past. Tropical deforestation is the main culprit, but the destruction of wetlands, coral reefs and temperate forests also figures heavily. Germany and the Netherlands lost nearly 60% of their wetlands between 1950 and 1980. And a recent analysis of tropical forest habitats, which contain 50–90% of the world's species, concluded that, at current rates of loss, up to 15% of the earth's species could disappear over the next 25 years. Today, only 45% of the world's temperate rainforests remain.

The trends of the past 20 years show an accelerated destruction of coastal marine habitats, increases in coastal pollution, and in many areas, a shrinking of the marine fish catch. In 1990, the global fish catch declined for the first time in 13 years—a result of overfishing, coastal habitat destruction and water pollution.

Coral reefs will also come under greater pressure. Approximately one billion people will live in coastal cities by 2000, increasing the danger to reefs from overfishing, pollution and soil erosion.

As habitats are fragmented, altered or destroyed, they lose their ability to provide ecosystem services—water purification, soil regeneration, watershed protection, temperature regulation, nutrient and waste recycling and atmospheric maintenance. All these changes threaten global human security.

Drug trafficking

The trade in narcotic drugs is one of the most corrosive threats to human society. During the past 20 years, the narcotics industry has progressed from a small cottage enterprise to a highly organized multinational business that employs hundreds of thousands of people and generates billions of dollars in profits (box 2.5). The retail value of drugs, as estimated in a recent study, now exceeds the international trade in oil—and is second only to the arms trade. The main producing countries are Afghanistan, Bolivia, Colombia, Iran, Pakistan, Peru and Thailand. And while consumption is rapidly spreading all over the world, the highest per capita use is reported to be in the United States and Canada. In the United States alone, consumer spending on narcotics is thought to exceed the combined GDPs of more than 80 developing countries. In recent times, the countries of Eastern Europe have also become prominent in drug trafficking—at least 25% of the heroin consumed in Western Europe now passes through Eastern Europe.

Despite the magnitude of the threat, the international community has yet to produce a coherent response. But some individual countries have drawn up their own action

plans. In Bolivia, coca producers have been paid to take coca out of production—\$2,000 a hectare—and since 1989, they have annually converted more than 5,000 hectares of land to other crops.

But such lone efforts are not an effective, durable answer. As long as the demand persists, so will the supply. The real solution has to lie in addressing the causes of drug addiction—and in eradicating the poverty that tempts farmers into drug production.

International terrorism

Violence can travel from one country to another through conventional warfare—and through terrorism.

Between 1975 and 1992, there were an average of 500 international terrorist attacks a year. Bombings are the most common type of incident (60%), followed by armed attacks, and in individual years there have also been large numbers of arson attacks or aircraft hijackings. The peak in recent decades was in 1987, with 672 incidents. In 1992, the number dropped to 362, the lowest since 1975.

Between 1968 and 1992, the number of annual casualties was never less than 1,000, and 1985 was the worst year, with 3,016 casualties—816 people killed and 2,200 wounded. Most of the victims have been the general public—though in 1980–83 the majority were diplomats, and in the past two years most attacks have been made against businesses. While the number of their victims may not look high, the fear that these attacks spread among the world's population at large is immense.

The focus of terrorist activity tends to move around the world. Until the early 1970s, most incidents were in Latin America. Then the focus switched to Europe. In the mid-1980s, most of the incidents were in the Middle East. And now, terrorist incidents take place all over the world. Terrorism, with no particular nationality, is a global phenomenon.

Needed policy action

This discouraging profile of human insecurity demands new policy responses, both na-

tionally and internationally. Over the past five decades, humankind gradually built up an edifice of global security—an edifice of nuclear deterrents, power balances, strategic alliances, regional security pacts and international policing through the superpowers and the United Nations.

Much of this global security framework

The international narcotics trade

BOX 2.5

Narcotic drugs have become one of the biggest items of international trade, with the total volume of drug trafficking estimated at around \$500 billion a year. The OECD estimates that \$85 billion in drug profits is laundered through financial markets each year, of which \$32 billion passes through the United Kingdom.

Since almost all the production and trade in these drugs is illegal, statistics are notoriously unreliable. The largest exporter of cocaine is probably Colombia, followed by Peru and Bolivia, while Myanmar seems to be the leading source of heroin. Pakistan is one of the major exporters of cannabis. One study of the nine major producing countries estimated their annual production of cocaine at around 300 tons, heroin at around 250 tons and cannabis at well over 25,000 tons.

Drug addiction causes immense human distress. And the illegal production and distribution of drugs have spawned worldwide waves of crime and violence. International efforts to stamp out this noxious trade began more than 80 years ago, when opium was brought under international jurisdiction. Since then, there have been numerous conventions and conferences on drug abuse and illicit trafficking. In 1990, the General Assembly of the United Nations declared the 1990s the UN Decade against Drug Abuse.

But thus far, efforts to eliminate the drug menace have prompted rather more righteous indignation than effective action—mainly because the costs of significantly reducing production or consumption are just too high. Successfully eradicating crops like opium or coca demands offering farmers equally valuable alternative crops. But given the high prices for drugs, this is almost impossible. In Bolivia, the coca-cocaine in-

dustry is thought to be worth as much as 20% of GNP.

Most efforts at stifling drug production have brought limited benefits. Eradicating crops in one place tends to shift production elsewhere. When Mexico suppressed marijuana production, it sprang up in Colombia. When Thailand managed to reduce opium crops, producers moved to Myanmar and the Lao People's Democratic Republic.

Reducing consumption is equally difficult. Many wealthy and educated people use small amounts of drugs much as they might use alcohol and tobacco—and are prepared to risk the consequences. But many of the heaviest drug users are poor and desperate—seeking some kind of anaesthesia for the hopelessness of their lives. For them, drugs may be dangerous, but they have little left to lose. This underclass is not limited to the industrial countries. The United States is the largest single market for drugs, but developing countries, particularly those that are drug producers, also have serious addiction problems. Pakistan, for example, is thought to have more than one million heroin users, and Thailand has around 500,000 addicts.

One radical alternative is decriminalization. This would reduce the violence and crime associated with drugs and allow for production and consumption in less squalid and dangerous circumstances. The risk, however, is that it might increase overall consumption.

In the end, probably the only solution will be to remove the kind of social distress that feeds drug addiction and to promote human development, which can strengthen families and communities and offer young people more productive outlets for their time and energies.

now needs change. In its place—or, at least, by its side—must be raised a new, more encompassing structure to ensure the security of all people the world over. Some global concerns require national actions—others, a coordinated international response.

Early warning indicators

Experience shows that where there are multiple problems of personal, economic, political or environmental security, there is a risk of national breakdown (box 2.6).

One question that preoccupies the international community is whether it is possible to get early warning signals of the risk of national breakdown. Such signals could help in agreeing on timely preventive action and avoiding conflict and war, rather than waiting until it is too late, as in Bosnia and Somalia.

One might want to see which countries currently face similar multiple threats.

Some indicators discussed earlier in this chapter can be useful for this purpose: deteriorating food consumption, for example, high unemployment and declining wages, human rights violations, incidents of ethnic violence, widening regional disparities and an overemphasis on military spending.

Identifying potential crisis countries is not an indictment—it is an essential part of preventive diplomacy and an active peace policy. A clear set of indicators, and an early warning system based on them, could help countries avoid reaching the crisis point.

Consider Afghanistan, Angola, Haiti, Iraq, Mozambique, Myanmar, Sudan and Zaire. As analyzed in annex 1, these countries are already in various stages of crisis. Determined national and international actions—including both preventive and curative development—are needed to support processes of social integration.

There are several countries where current national and international efforts need to be reinforced to promote human security. The list of such countries extends to all world regions, and it ranges from countries in the midst of ongoing crises—such as Burundi, Georgia, Liberia, Rwanda and Tajikistan—to other countries experiencing either severe internal tensions—such as Algeria—or large regional disparities—such as Egypt, Mexico and Nigeria.

Preventive action can also avoid larger costs for the world community at a later stage. Today's UN operations in Somalia, for example, cost more than \$2 billion in 1993 alone. A similar investment in the socio-economic development of Somalia ten years ago might have averted the current crisis. Soldiers in blue berets are no substitute for socio-economic reform. Nor can short-term humanitarian assistance replace long-term development support.

Policies for social integration

Although the international community can help prevent future crises, the primary responsibility lies with the countries themselves. And often it lies with the people themselves. In Somalia today, where there is no central government, people and their

BOX 2.6

Selected indicators of human security

Precise quantification of human security is impossible, but some useful indicators can provide an early warning of whether a country is facing problems of human insecurity and heading towards social disintegration and possible national breakdown. The following indicators are particularly revealing:

- *Food insecurity*—measured by daily calorie supply as a percentage of basic human needs, the index of food production per capita and the trend of the food import dependency ratio.
- *Job and income insecurity*—measured by high and prolonged unemployment rates, a sudden drop in real national income or in real wages, extremely high rates of inflation and wide income disparities between the rich and the poor.
- *Human rights violations*—measured by political imprisonment, torture, disappearance, press censorship and other human rights violations.
- *Ethnic or religious conflicts*—measured by the percentage of population involved in such conflicts and by the number of casualties.
- *Inequity*—measured mainly by the

difference between the HDI values of different population groups.

- *Military spending*—measured by the ratio of military spending to combined expenditure on education and health.

This is only a partial set of indicators. But even though it captures only a few dimensions, if several of the indicators point in the same direction, the country may be heading for trouble.

These indicators would sound an alarm if applied to such countries as Afghanistan, Angola, Haiti, Mozambique, Myanmar, Sudan and Zaire, countries included in the various tables of this chapter and the case studies. They might also sound an alarm if used to measure human security in some of the successor states of the former Soviet Union, notably those in Central Asia.

Ideally, there should also be a set of indicators to identify global threats to human security. And combining national and global indicators would highlight the coincidence of national and global insecurities—as with high unemployment and heavy international migration.

local communities are doing more than government authorities may ever have done. But several countries also offer encouraging examples of what deliberate public policies of social integration can achieve. Malaysia, Mauritius and Zimbabwe, for example, are countries whose governments have taken courageous national actions to overcome potentially dangerous national schisms (annex 2).

The policies pursued by these countries reconfirm many of the policy lessons set forth in chapter 1 and explored further in boxes 2.7 and 2.8. First is the importance of allowing everyone, of whatever race or ethnic group, the opportunity to develop his or her own capacities—particularly through effective health and education services. Second is the need to ensure that economic growth is broadly based—so that everyone has equal access to economic opportunities. Third is the importance of carefully crafted affirmative action programmes designed so that all sections of society gain—but that the weaker groups gain proportionally more. And the most important lesson conveyed by the country case studies on Malaysia and Mauritius is that where human security and social integration are ensured, economic growth and human development can progress too.

Many countries have unfortunately chosen a different path—and allowed inequalities to rise to a disturbing extent. The data presented in chapter 5 on Egypt, Mexico, Nigeria and South Africa show the dangers that this can bring.

The World Summit for Social Development offers a fresh opportunity for the international community to shift its emphasis from the first pillar of territorial security in the past 50 years to the second pillar of human security in the next 50 years. In light of the analysis here, the Summit might wish to consider the following:

- Endorsing the concept of human security as the key challenge for the 21st century.
- Calling on people to make their full contribution to global human security and to bind together in solidarity.
- Requesting national governments in rich and poor countries to adopt policy measures for human security. They should en-

sure that all people have the basic capabilities and opportunities, especially in access to assets and to productive and remunerative work. They should also ensure that people enjoy basic human rights and have political choices.

- Recommending that all countries fully cooperate in this endeavour—regionally and globally. To this end, a new framework of international cooperation for development should be devised, taking into account the indivisibility of global human security—that no one is secure as long as someone is insecure anywhere.
- Requesting that the United Nations step up its efforts in preventive diplomacy—and recognizing that the reasons for conflict and war today are often rooted in

BOX 2.7

Job-sharing

Lavorare meno, lavorare tutti—work less and everybody works—a slogan that recently appeared in Italian workplaces. Indeed, throughout the industrial world, the idea of job-sharing is gathering momentum.

The basic principle is simple. Rather than a five-day work week for some workers, with others remaining unemployed, the work week should be reduced to, say, four days with a corresponding pay cut, so that more people can share the available work.

The German auto-maker BMW in 1990 introduced a four-day, 36-hour week at one of its plants, with an agreement for more flexible working. The productivity gains more than offset the cost of taking on more workers, so there was no need for a wage cut.

A more recent deal at another German car-maker, Volkswagen, involves a four-day week along with a 10% pay cut. This has not created new jobs, but it saved 31,000 jobs that would otherwise have been eliminated.

In France, a subsidiary of the computer company Hewlett-Packard has introduced a more flexible four-day week for workers. This has enabled the plant to be run seven days a week, round the clock, rather than five days on day shifts. Production has tripled, employment has risen 20%, and earnings have remained unchanged.

In Japan, the large steel companies have been closing two days a month and offering workers 80–90% of their pay.

Exactly how many jobs could be saved if countries were to adopt such schemes is difficult to say. But for France, it has been estimated that the universal adoption of a four-day, 33-hour work week with an average 5% reduction in salary would create around two million new jobs—and save \$28 billion in unemployment insurance.

Job-sharing has its critics. Some companies may simply use reductions in work time as a way of cutting costs. And it may be harder to implement the plan in smaller companies that have less room for manoeuvre.

Workers and trade unions are concerned, too, that this approach might in the long term concentrate work into a few high-paid, high-productivity jobs, leaving many more workers without jobs or incomes.

Job-sharing could, nevertheless, be the germ of an idea that offers greater freedom for workers, along with an improved private life—while contributing much to reducing unemployment.

Clearly, the question of work and employment needs a basic, fundamental review—nationally and globally. It will no doubt be a central issue for discussion at the 1995 World Summit for Social Development.

Credit for all

Study after study on credit schemes for the poor confirm that the poor are creditworthy:

- The poor can save, even if only a little.
- The poor have profitable investment opportunities to choose from, and they invest their money wisely.
- The poor are very reliable borrowers and hence a very good risk. Repayment rates of 90% and more are not rare.
- The poor are able and willing to pay market interest rates, so that credit schemes for the poor stand a good chance of becoming viable, self-financing undertakings.

The reason credit schemes for the poor work is that they significantly improve the incomes of the poor—typically by more than 20%, and at times even by more than 100%.

Smaller loans are administratively more costly than larger ones. Yet the literature on credit schemes for the poor abounds with examples of how some organizations and programmes manage to keep their administrative costs low. Among the successful measures: lending to peer groups, standardizing loan terms, collaborating with community-based and other developmental non-governmental organizations, eschewing traditional banking requirements and

procedures and being located in the community and knowing local people and local investment opportunities.

Many savings schemes for the poor today do mobilize the modest funds that poor communities have to spare. But rarely do they reinvest the money only in poor neighbourhoods. Just the opposite should be the case. Not only should the poor's savings be reinvested in poor neighbourhoods. The savings of the rich should also be encouraged to flow into these neighbourhoods.

Governmental incentive policies can help in this. For example, governments could subsidize, for a defined interim period, the increased overhead costs that banks would incur in lending to the poor. If the aim were to serve about 120 million poor a year—every tenth poor person—this could cost some \$10 billion.

The poor know best their opportunities for productive and remunerative work. What they really need are modest amounts of start-up capital for their microenterprises.

As one study put it, the old parable about feeding people for a day by giving them a fish, or feeding them for life by teaching them how to fish, needs a 20th-century postscript: what really matters is who owns the pond.

Small credit can make a difference

Integrated Rural Development Programme, India

- Among beneficiaries, 64% increased their annual family income by 50% or more.
- Seventy percent of the assisted families belonged to the poorest group; however, their share in the benefits of IRDP was only 29%.
- In 71% of cases, the assets procured by the IRDP beneficiaries were found to be intact after two years.

Metro Manila Livelihood Programme, Philippines Business for Social Progress, Philippines

- The average increase in income from an average loan of \$94 was 41%.
- Women received 80% of loans.
- Borrowers had an average of 5.7 dependents.

Revolving Loan Fund, Dominican Republic

- The average increase in income from 101 loans was 27% a year.
- The job creation rate among borrowers was more than 20 times that of the control group of non-borrowers.

Revolving Loan Fund, Costa Rica

- The average increase in income from 450 small loans was more than 100% a year.
- A new job was created for every \$1,000 lent.

poverty, social injustice and environmental degradation—and back these efforts up through preventive development initiatives.

- Recommending further that today's framework of global institutions be reviewed and redesigned to prepare those institutions fully for doing their part in tackling the urgent challenges of human security, all within the framework of a paradigm of longer-term sustainable human development.

Chapter 4 will return to the question of a new framework for international development cooperation and new global institutions. But before that, chapter 3 addresses one critical source of insecurity that deserves more explicit treatment than it received here, one that arises from the world's previous preoccupation with deterrence and territorial security—excessive militarization and the international arms trade.

Countries in crisis

Afghanistan

Many parts of the country are in the hands of different Mujahedeen factions. A bloody civil war is going on, with no end in sight. Food is scarce, and much of Afghanistan's infrastructure lies in ruins.

- **Food security**—Fourteen years of war have devastated agriculture. Farms have been abandoned and irrigation works destroyed. Agricultural inputs and spare parts are scarce, and armed groups control food supplies. Between 1980 and 1991, per capita food production declined by 29%, and in 1990, Afghans could meet only 76% of their daily per capita calorie requirements. Although food prices tripled in 1992, farmers are unable to fetch remunerative prices for surplus production (due to insecurity and the breakdown of infrastructure), with the exception of opium.
- **Job and income security**—Between 1965 and 1980, per capita income increased by only 0.6% a year.
- **Human rights violations**—Following the change of government in May 1992, thousands of political prisoners were released. But the fate of hundreds of prisoners held in prisons controlled by some Mujahedeen groups remains unknown. Mainly as a consequence of the ongoing civil war, cruel forms of punishment have been introduced by some of the warring factions.
- **Ethnic and other conflicts**—Ethnic and factional conflicts have continued, following the defeat of the communist government by Islamic Mujahedeen in April 1992. Millions of land-mines have disabled one in every six Afghans.
- **Military spending**—Afghanistan is the largest arms recipient per capita among the poorest countries. Between 1983 and 1992, it received more than \$600 of conventional arms per capita.

Angola

Angola has been ravaged by years of fighting that has claimed up to 500,000 lives. Tens of thousands of people have been maimed, and 1994 could bring famine to three million of the country's ten million people.

- **Food security**—Between 1980 and 1990, the domestic food production index fell from 100 to 79. In 1990, food availability was only 80% of daily per capi-

ta calorie needs. Renewed fighting in 1993 disrupted agriculture and the distribution of relief supplies. Without a cease-fire, some three million people face starvation in 1994.

- **Job and income security**—Between 1980 and 1991, annual inflation was over 90%. Around two-thirds of the population now lives below the poverty line.
- **Human rights violations**—Government forces are responsible for extrajudicial execution of suspected political opponents. And in the areas they control, the opposition UNITA forces kill suspected government supporters.
- **Ethnic and other conflicts**—The Movimento por Popular Libertação de Angola (MPLA) derives much of its support from the urban areas, while the Uniao Nacional para Independencia Total de Angola (UNITA) opposition consists largely of the rural Ovimbundu people, who feel threatened by extinction. Elections were held in 1992, but UNITA refused to accept the MPLA victory, and the conflict was resumed. In 1993, starvation, disease and land-mines were reported to be killing thousands of people.
- **Military spending**—In 1990, Angola spent 20% of its GDP on the military. In the late 1980s, there were 200 military personnel for every doctor.

Haiti

Haiti continues in political and economic turmoil, following the failure of recent attempts to ensure the return of the constitutionally elected president.

- **Food security**—Between 1980 and 1991, the index of domestic food production fell from 100 to 84. The current embargo has increased the price of food—and of fuel and other basic necessities. Hunger and malnutrition are widespread: an estimated 1,000 children die every month.
- **Job and income security**—Between 1980 and 1990, per capita income fell on average by 2.4% a year. In 1991, per capita GNP was \$380. Unemployment and inflation have risen sharply.
- **Human rights violations**—Following a military coup in 1991, a junta continues to rule through violent repression. All forms of popular organization have been ruthlessly suppressed.
- **Ethnic and other conflicts**—The chief conflict is be-

tween the elite, represented by the military, and the majority of civil society. Some 1,800 people were killed in early 1992 and 300 in early 1993. Fearing civil war, thousands fled to the countryside. In October 1993, the United Nations reimposed its oil and trade embargo aimed at restoring the ousted president.

Iraq

After years of external war and continuing ethnic conflicts, Iraq's infrastructure has been devastated, the country is isolated, and the population is suffering great hardship under an authoritarian government and internationally imposed sanctions.

- **Food security**—Between 1980 and 1991, per capita domestic food production declined by 32%. Large parts of the country have been subjected to blockades to prevent food (as well as fuel and medicines) from reaching the besieged populations. The country normally is highly dependent on food imports, financed by oil exports, and the 1992 harvest was particularly poor, covering only 20% of the 1992–93 needs. Some five million tons of food would have to be imported to fill the gap. Since this is unlikely, hunger and malnutrition will increase. The death rate among Iraqi children under five has tripled since the Gulf War.
- **Job and income security**—Between 1965 and 1980, per capita income grew at an annual average of 0.6%. Though no recent statistics are available, the disruption of war has probably resulted in negative growth.
- **Human rights violations**—Thousands of political opponents are detained. Hundreds have “disappeared”, and torture is widespread.
- **Ethnic and other conflicts**—Since 1974, the government has been in conflict with the Kurds—who are around 20% of the population. In 1991, a civil conflict began with Shi'a rebels in the southern marshes. In 1992, there were 1.3 million Iraqi refugees in other countries.
- **Military spending**—Between 1983 and 1992, Iraq spent \$28 billion on arms. In 1990, arms imports were nearly \$1,500 per capita, and there were 105 military personnel for every doctor. In 1990, military spending was 271% of social spending.

Mozambique

Mozambique's future depends on whether the current peace agreement holds. If it does not, and the civil war continues, the human cost will be enormous.

- **Food security**—Between 1980 and 1991, domestic food production per capita declined by 23%. In 1990, food availability was only 77% of per capita calorie requirements. Even though Mozambique had a good harvest in 1992, it will continue to depend on food aid for a long time, given the social dislocation of the war.

- **Job and income security**—Mozambique has one of the lowest per capita GNPs in the world. In the 1980s, it fell by 1.1% annually, and by 1991, it was just \$80. The average annual inflation rate was 38%. About 60% of the population lives below the poverty line.

- **Ethnic and other conflicts**—Since 1976, Mozambique has suffered from civil war between the Frente de Libertação de Moçambique (FRELIMO) and Resistência Nacional Moçambicana (RENAMO)—a guerilla group originally supported by Rhodesia and South Africa. A cease-fire was signed in October 1992. Some four million of the population of 16 million have been driven from their homes by a decade and a half of fighting. In 1992, 1.7 million of them were refugees in other countries.

- **Military spending**—Between 1983 and 1992, the country imported \$425 million worth of major conventional arms. In 1990, per capita arms imports were \$27, and the country had 180 military personnel for every doctor.

Myanmar

Myanmar has a large number of ethnic groups that have been struggling for autonomy or independence for decades. Despite some recent political moves, the conflicts could continue for many years.

- **Food security**—The conflict and its consequences have contributed to severe rates of malnutrition for children, and a third of the children under five are malnourished.
- **Job and income security**—About 35% of the rural population lives in absolute poverty.
- **Human rights violations**—National elections were held in 1990, but the military government refused to accept the results, and the country remains under martial law. More than 1,000 political opponents have been imprisoned. Aung San Suu Kyi, a leader of the opposition and winner of the 1991 Nobel Peace Prize, has been under house arrest for more than four years. Gross and persistent human rights abuses, including torture, are reported from various parts of the country.
- **Ethnic and other conflicts**—Myanmar has more than a dozen significant ethnic minorities, many of which fought the government since independence. The largest are the Karen (10% of the population), the Arakanese (7%) and the Shan (7%). Since 1989, there have been more than 1,000 battle-related deaths. In 1992, over 250,000 of the Muslim minority of Arakan state (the Rohingas) fled to Bangladesh. In total, between 5% and 10% of the population has been displaced, either within Myanmar or to neighbouring countries.
- **Military spending**—The military budget increased by 10% in 1992–93 and now accounts for 35% of the total budget and 6% of GDP. Arms make up more than a fifth of the country's total imports.

Sudan

Sudan faces one of the world's worst humanitarian crises. There is little prospect of ending the relentless cycle of war and famine.

- *Food security*—Between 1980 and 1991, per capita domestic food production declined by 29% in the south. Agricultural production has been devastated by the war—with agricultural lands mined. Both sides use food as a weapon by blocking relief supplies. In the Southern Sudan towns of Kongor, Ame and Ayod, known as the “starvation triangle”, undernutrition rates are above 80%, and mortality rates are above 250 per 1,000 people.
- *Human rights violations*—In response to the country's civil war, the military government has banned political parties, and hundreds of suspected government opponents have been detained without trial.
- *Ethnic and other conflicts*—The country has been devastated by two civil wars between the majority in the north (75% of the population) and the minority in the south. The first, between 1955 and 1972, cost 500,000 lives. The present conflict started in 1983 and has killed more than 260,000 people. The main opposition force is the Sudan People's Liberation Army, which in 1992 split into two factions. Conflicts between the factions have also led to thousands of deaths and displaced hundreds of thousands of people. There currently are more than 250,000 Sudanese refugees in other countries.
- *Military expenditure*—Between 1983 and 1992, Sudan imported \$532 million worth of major conventional arms.

Zaire

Zaire is dissolving into anarchy as most semblances of responsible government disappear. Looting and riots are common.

- *Food security*—The price of a sack of rice or cassava, doubling every couple of weeks, is now beyond the reach of much of the population. In Kinshasa, the capital, many people rely on relief supplies, and others are leaving for the rural areas in search of food.
- *Job and income security*—During the 1980s, per capita annual income declined by an annual average of 1.3%, and 70% of the population lives below the poverty line. The government has been virtually bankrupt for a decade, largely as a result of rampant corruption and mismanagement. The introduction of a series of new currencies has prompted riots because merchants refused to accept them—the latest, in 1993, caused whole sections of the economy to shut down. Much of the modern sector has been destroyed by looting and violence.
- *Human rights violations*—The central political problem is a lack of effective governance. The president, alleged to have extracted more than \$5 billion from the economy, has yielded only marginally to pressure for a transition to democracy, but ultimately refuses to hand over power. He is protected by an elite guard of 20,000 soldiers.
- *Ethnic and other conflicts*—Zaire faces numerous secessionist pressures and has had two prolonged ethnic wars—one in Kivu, to the East, and the other in Shaba, to the South. To prevent secession of the copper-rich Shaba, the government has engaged in a form of “ethnic cleansing”, and in late 1993, thousands of people died in ethnic fighting. In total, more than 800,000 people have been displaced by ethnic clashes.

Successes in social integration

SUCCESSSES IN SOCIAL INTEGRATION

Malaysia

Malaysia presents one of the world's most striking examples of positive policy action in favour of one disadvantaged ethnic group. By achieving a broad national consensus for this objective, it has steadily created a more cohesive and more prosperous society.

The roots of Malaysia's racial diversity lie in the period of British rule. The colonial government encouraged Chinese immigration to develop trading and mineral extraction. More than four million Chinese came into the country, of whom two million chose to stay. The British also brought in Indian workers for the rubber, sugar cane and coffee plantations—as well as for running public utilities such as water, power and telecommunications. As a result, Malaysia's population today is 61% Bumiputra (groups indigenous to the country), 30% Chinese and 8% Indian.

The colonial policy polarized economic development along racial lines. The Chinese and the Indians eventually dominated the urban modern sector, while most indigenous Malays remained in traditional, largely rural activities such as subsistence rice cultivation and fishing. Of corporate assets in 1970, the Chinese and Indian populations owned 33% while Bumiputras owned only 2% (the rest were held by foreigners). Thus while the more numerous Bumiputra population controlled the political system, it had very little control over the economy.

This imbalance led to increasing tensions, and in May 1969, there were racial riots. These prompted the suspension of Parliament, the creation of a multi-ethnic National Operations Council, and in 1971, the drafting of the New Economic Policy (NEP).

The NEP had two main objectives: first, the restructuring of society so that income and occupations no longer followed ethnic lines, and second, the eradication of poverty.

Bumiputra representation in the economy was to be increased by establishing ethnic ownership quotas, and quotas were established for federal employment, participation in the armed forces, land ownership and educational scholarships.

Since most of the poverty was concentrated in the rural areas,

the government established rural development authorities and targeted funds towards rural development—including irrigation projects, social services and rural infrastructure. The government also maintained a strong commitment to investment in education.

The results were impressive. Between 1970 and 1990, the proportion of corporate assets owned by Bumiputras rose from 2.4% to 20.3%. And the incidence of poverty fell dramatically—from 49% of all households to 16%.

Economic growth per capita during 1980–91 averaged 2.9% a year, and much of Malaysia's progress in promoting social integration has been based on distributing the benefits of economic growth as widely as possible.

This improvement is clearly reflected in the country's human development indexes. Between 1970 and 1991, the HDI increased for each group, but the increase was larger for the Bumiputras (38%) than for the Chinese (20%). Even so, the HDI for the Bumiputras, at 0.730, is still lower than that for the Chinese at 0.896.

In 1991, to follow up on this success, the government adopted a New Development Policy (NDP). The NDP relaxed the quotas in favour of Bumiputras but still aimed at redistributing resources towards them. About 56% of the 1.3 million new jobs that the NDP is expected to create between 1990 and 2000 would be taken by the Bumiputras.

Although promoting growth is the main thrust of the NDP, the policy also accepts that some groups and regions still lack equal access to opportunities. Eradicating poverty will therefore also mean focusing on the poorest of the poor, to improve their skills and raise their incomes.

Mauritius

Mauritius is a multiracial society that has made determined efforts to maintain its cultural diversity—while promoting equal opportunities for all through a strong social programme.

Mauritius had no indigenous population, so when the French colonized the island, they enslaved labour from Africa and neighbouring Madagascar to work the sugar plantations. After the abolition of slavery, landowners brought in indentured workers from China and the Indian subcontinent. The legacy of these waves of immigrants is a diverse mixture of ethnic groups. According to the 1990 census, the population was 51% Hindu, 16% Muslim and 2% Sino-Mauritian—the remaining 31% included those of Franco-Mauritian, African or mixed descent.

Mauritius has made a determined effort to ensure equal rights for all its ethnic groups. As in many other countries, equality is enshrined in the law: the constitution explicitly outlaws all forms of discrimination based on race, sex or religion and has provisos to guarantee national representation to minority groups.

The country has also taken steps to preserve its cultural heritage. Language is one clear example. The official language is English, but French and Creole are more widely spoken. In addition, Asian languages, including Hindi, Tamil, Telugu, Urdu and Mandarin, are taught in schools as optional subjects and allocated radio and TV airtime roughly in proportion to the number of people who speak them.

But the main guarantor of social cohesion and economic progress has been education. Primary and secondary education are both free—and enrolment ratios are high. When in 1991 there were still concerns that poorer children were receiving sub-standard education, the Master Plan for Education set aside special assistance for low-achieving schools.

Mauritius's success in promoting a diverse society does not spring from government action alone. The country also has numerous people's associations representing its myriad social groups—preserving the cultural heritage and providing an

important political voice during electoral campaigns.

The government has placed a strong emphasis on social spending and never maintained a standing army. It spends less than 5% of the public budget, and only 0.2% of its GNP, on defence—opening the possibility for a strong social programme. Health care is also widely available—and free to all. Malnutrition persists, but the government has taken measures to reduce it, including providing free milk for pregnant and nursing women and a school lunch programme.

Between 1975 and 1990, the proportion of children under five who were malnourished fell from 32% to 17%. In addition to free education and health care, Mauritius provides an old-age pension plan, price subsidies for rice and flour and some measure of unemployment relief.

This social spending underpins strong economic performance. Between 1960 and 1991, annual per capita income rose from about \$300 to \$2,380. And following a period of structural adjustment, the economy has become much more diversified. Unemployment at the beginning of the 1980s was around 30%, but by 1992 it had dropped to only 3%.

The achievements should not disguise the fact that there are still wide economic disparities. More than 50% of harvested land is in 19 large estates, controlled by a few powerful families. The rest of the acreage is divided among 33,000 small planters whose plots average around one hectare.

The growth and diversification of the economy have, however, contributed to a rise in real wages and some redistribution of income. Between 1980–81 and 1991–92, the Gini coefficient of income distribution fell from 0.45 to 0.38.

Mauritius still has economic and social problems, but it provides a remarkable model of economic progress with social diversity.

Zimbabwe

Zimbabwe has an impressive record on social integration. After independence, the government reassured the whites that their property would be respected. But it also concentrated public investment on basic social services—which directed resources to the poorer black community.

Despite a long and divisive colonial history, a bitter war of liberation and disputes between the two main political groups, post-independence Zimbabwe has had a relatively smooth transition to black majority rule. Other African countries suffered bloodshed after independence—or saw a massive exodus of whites. But Zimbabwe from the outset offered the white population safety, freedom and legal protection at the same time that it accelerated its investment in the black population.

One of the terms of the treaty that ended the country's civil war was that there was to be no expropriation of white farms. The government honoured that undertaking and gave whites some strategic government posts—including minister of agriculture and minister of commerce and industry. These measures reassured the white community that it was welcome to remain if it was willing to work within the new democratic framework.

The guarantees offered to the whites have, however, also perpetuated considerable inequality. They still own almost half the land and nearly all the investment capital in mining and industry. In 1989, they received 70% of agricultural credit, extension and other services.

In addition to reconciling the black and white communities, the new governing party, ZANU, had to resolve conflicts between itself and ZAPU, the rival group that had also fought for independence. These differences were eventually overcome in 1987 with a Unity Accord, which offered dissidents a general amnesty.

Although there has been no direct redistribution of land or other resources, the government has given priority in social spending to the communal lands that are home to most of the black community. Since 1980, approximately 2,000 primary and 1,200 secondary schools have been built there.

Between 1982 and 1988, the government dramatically expanded primary health care programmes in the rural areas. It also reoriented agricultural services towards the communal lands, and its supportive price policy improved the income of smallholders.

Despite the considerable investment in human development, economic growth in the 1980s was disappointing. Private investment fell as a proportion of GDP, and the labour force grew faster than employment—only one school leaver in three was being absorbed into the formal sector. By the end of the 1980s, it became clear that the government would have to make fundamental economic changes, so in 1991 it introduced a structural adjustment programme.

The programme helped stabilize the economy—but at significant human cost. The government reintroduced school fees, for example, as well as health care charges—and school drop-out and infant mortality rates have been rising. Zimbabwe has higher human development levels than the average for Sub-Saharan Africa—life expectancy, for example, is eight years longer. But it does not have an efficient social safety net for the poorest—who have seen their living standards fall in recent years. The government did establish a Social Fund to mitigate the effects of adjustment on the poor, but very few people have benefited. In 1992, their problems worsened after a crippling drought ruined most of the crops in the communal lands.

Zimbabwe has made remarkable progress in social integration. Its major achievement lies in raising the human development levels of the black community without restricting opportunities for the white population—thus avoiding social tension.



Capturing the peace dividend

They shall beat their swords into ploughshares, and their spears into pruning hooks. Nation shall not lift up sword against nation. Neither shall they learn war any more.

It appeared that the time for this prophecy had come with the end of the cold war. But so far this has proved to be an elusive hope. The removal of ideological hostility has prompted some reduction in military expenditure, but not yet on a very significant scale. Around 30 million people are still employed in the world's armed forces. Vast arsenals of nuclear weapons remain, enough to destroy all life on this planet several times over. And at any one time, there are dozens of military conflicts going on in trouble spots around the world (box 3.1).

These conflicts are increasingly a threat not just to the lives of military personnel but also to civilian populations. At the beginning of this century, around 90% of war casualties were military. Today, about 90% are civilian—a disastrous shift in the balance.

Indeed, one of the greatest concerns of this century is the extent to which whole societies have become militarized. In the industrial countries, the development of expensive and sophisticated weapons has meant that technological and military progress have become increasingly intertwined. By 1990, of the five to seven million people engaged in research and development, around 1.5 million were working in the military sector.

There has certainly been opposition to the militarization of the political process—active peace groups in many industrial countries have argued vigorously against the arms race in principle. But the inexorable logic of the balance of terror kept

military considerations firmly in the driver's seat, so that the military-industrial complex retained a pervasive influence over whole societies—and encouraged the belief that security essentially meant military security.

In developing countries, the military have also played a central part. Here, however, their role has sometimes been less technological and more directly political. In countries with weakly developed democratic systems, the armed forces have generally been better funded and more organized than other institutions—and have often been in a strong position to direct the political process and subvert democracy.

BOX 3.1

Armed conflicts within states increasing

Global conflicts seem to be changing—from wars between states to wars within them. Of the 82 armed conflicts between 1989 and 1992, only three were between states. Although often cast in ethnic divisions, many also have a political or economic character.

Most conflicts are in developing countries. During 1993, 42 countries in the world had 52 major conflicts, and another 37 countries had political violence. Of these 79 countries, 65 were in the developing world.

But there have been conflicts in all regions. In Europe—Bosnia, Georgia, Turkey and the United Kingdom. In the Middle East—Iraq, Israel and Lebanon. In Latin America—Colombia and Guatemala. In Asia—Bangladesh, India, Indonesia, Iran, the Lao People's Democratic Republic, Myanmar, Pakistan, the Philippines, Sri Lanka and Tajikistan. And in Africa—Angola, Chad, Ethiopia, Morocco, Somalia, South Africa, Sudan, Uganda, Zaire and Zimbabwe.

Many of the conflicts within states

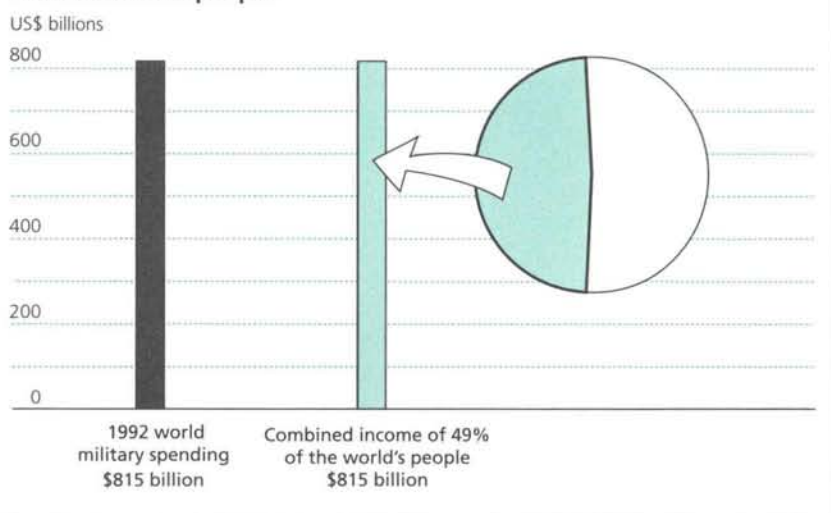
are protracted. More than half the conflicts in 1993 had been under way for more than a decade, taking the lives of four to six million people. Between 1989 and 1992, more than a thousand people were dying each year in eight countries: Afghanistan, Angola, India, Peru, the Philippines, Somalia, Sri Lanka and Sudan.

These conflicts have also caused millions of people to flee their borders to avoid repression and death. In 1983, there were nine countries from which more than 50,000 people had fled. But by 1992, there were 31. The major refugee-generating countries in the past decade: Afghanistan (4.3 million), former Yugoslavia (1.8 million) and Mozambique (1.7 million).

Since 1945, more than 20 million people have died in wars and other conflicts. Even in this era of "peace", the numbers show no signs of abating. Unless strong national and international action is taken, the death toll will continue to rise.

FIGURE 3.1

World military spending equals the income of nearly half the world's people



This pervasive military ethos in both industrial and developing countries was reflected in global military spending, which reached a historical peak in 1987. The reduction in expenditure in recent years is certainly a hopeful sign, but there clearly is a long way to go. Military spending is still very high given the lengthening global agenda of human insecurity (figure 3.1). Most of the reductions in expenditure have been in the industrial countries. Between 1987 and

1991, global military spending fell from \$995 billion to \$855 billion (table 3.1). In the industrial countries, the drop was from \$850 billion to \$725 billion (nearly 15%); in the developing countries, from \$145 billion to \$130 billion (10%).

Disarmament in industrial countries

The dramatic changes in the international political climate have not been matched by correspondingly steep falls in military spending in industrial countries. The general policy is to continue with the programmes of the 1970s and 1980s. Some weapons procurement has been postponed, and some projects have been cancelled. But the principal policy is "a little less of the same", with little effort to design an entirely new security system.

This is a question partly of scale and partly of momentum. The huge commercial and military organizations are fairly inflexible, and cutting arms production and procurement can bring serious problems. Cuts in research and development tend to be even slower since governments generally wish to maintain their capacity to acquire state-of-the-art weapons systems, even if they do not buy as many. Govern-

TABLE 3.1
Global military expenditures and the peace dividend
(US\$ billions in 1991 prices and exchange rates)

	1987	1988	1989	1990	1991	1992	1993 (est.)	1994 (est.)	Total 1987-94
<i>Actual military spending</i>									
World	995	970	945	890	855	815	790	767	7,027
Industrial countries ^a	850	835	815	760	725	690	669	649	5,993
Developing countries	145	135	130	130	130	125	121	118	1,034
<i>Actual cumulative peace dividend</i>									
World	0	25	50	105	140	180	205	228	933
Industrial countries ^a	0	15	35	90	125	160	181	201	807
Developing countries	0	10	15	15	15	20	24	27	126
<i>Projected military spending^b</i>									
World	744	722	700	679	659	639	639		4,143
Industrial countries ^a	630	611	593	575	558	541	541		3,508
Developing countries	114	111	107	104	101	98	98		635
<i>Potential cumulative peace dividend</i>									
World	23	45	67	88	108	128	128		459
Industrial countries ^a	19	38	56	74	91	108	108		386
Developing countries	4	7	11	14	17	20	20		73

a. China is included in the group of industrial countries for this comparison.
b. Assuming an annual reduction of 3%.

ments are also nervous about potential new threats—particularly ethnic and territorial conflicts in Europe. In these circumstances, decision-makers and military personnel are tempted to hold on to existing structures.

Opposition to change can come from different directions. Arms producers raise the spectre of job losses, so they lobby their governments to buy more weapons, provide higher subsidies and give more support to exports. Local politicians fearing unemployment also argue against the closure of factories and military bases. And within the armed forces, officers and soldiers protest being demobilized.

This opposition has slowed the process but not stopped it—chiefly because of budgetary pressures. In the United States, government policy is to cut military spending as a way of reducing the huge budget deficit. And in the 12 countries of the Commonwealth of Independent States, the mounting economic difficulties have also prompted sharp reductions. The initial cuts are usually the easiest, but domestic budgetary pressures should drive military spending down further. A target reduction of 3% a year during 1993–2000 may be fairly feasible in industrial nations given the actual cuts of about 4% a year during 1987–92.

Western Europe has not yet reduced its spending much. The most expensive arms project—the four-nation Eurofighter, designed to fight the communist enemy—is going ahead despite the disappearance of the East-West conflict. Elsewhere, there have even been increases in arms production. Australia and Japan have long-term commitments to retain or even expand their arms industries.

Nor should one set aside the nuclear threat: although reduced, it has by no means disappeared. The reductions envisaged in the START I and II treaties, for example, called for the removal of more than 20,000 warheads from the arsenals of nuclear weapons states—but not a single warhead has been dismantled so far. Several states continue to pursue nuclear weapons programmes. This could stall hopes of removing the nuclear threat (box 3.2).

Disarmament in developing countries

The developing countries have made even less progress in reducing military expenditure. With surprisingly little international outcry, their military expenditures rose three times as fast as those of the industrial countries between 1960 and 1987—from \$24 billion to \$145 billion, an increase of 7.5% a year, compared with 2.8% for the industrial countries. As a result, the developing countries' share of global military expenditures rose from 7% to 15%. A significant part of this spending—one-third—was by the countries of the Middle East and

BOX 3.2

The continuing nuclear threat

The most welcome effect of the end of the cold war has been the reduced risk of a nuclear catastrophe, but the threat has by no means disappeared. One major concern is the reduction of today's stock of nuclear weapons. The United States and the Soviet Union (or the successor states) have signed the Intermediate-range Nuclear Forces Treaty (1987) and the two treaties on the reduction of strategic offensive arms—START I (1991) and START II (1993). These have helped reduce tension, but they have important limitations. They specify, for example, that warheads be removed from delivery systems, but they do not specify that the warheads be destroyed. Indeed, neither the United States nor Russia has a technically or politically feasible plan to dismantle warheads or dispose of their nuclear components—so the warheads could represent a threat for generations to come. The breakup of the Soviet Union has also complicated matters since agreements now have to be made with the successor states. However, Ukraine has recently ratified START I, which enables START II to come into force.

The other major concern is nuclear proliferation. In addition to the five acknowledged nuclear powers (China, France, Russia, the United Kingdom and the United States) and three successor states of the former Soviet Union with nuclear weapons on their territory (Belarus, Kazakhstan and Ukraine), only three other states are presumed to have nuclear weapons or the ability to deploy them on short notice (India,

Israel and Pakistan). At least four other countries are believed to aspire to nuclear weapons status (Algeria, the Democratic Republic of Korea, Iran and Iraq). Libya and Syria are thought to have similar ambitions but lack the resources to mount a credible threat. On the positive side, three other states appear to have halted nuclear weapons development (Argentina, Brazil and South Africa).

So far, 157 countries have signed the 1967 Non-proliferation Treaty, and there are proposals to extend the treaty indefinitely after 1995. But there are doubts that the treaty will hold. Some countries disagree in principle—complaining that the treaty establishes a "nuclear apartheid" by offering a distinct advantage to the early adopters of nuclear weapons. And some developing countries are also reluctant to agree to restraints that can prevent them from acquiring important technology that also has non-nuclear uses.

There are practical problems, too. The treaty relies heavily on the control of technology transfers, and this has proved difficult to coordinate among exporting countries. It also relies too much on threats by bigger powers and not enough on a shared incentive system.

A more fundamental problem is that some countries still feel threats from their neighbours and regard the possession of nuclear weapons as an effective deterrent. As in the industrial countries, the only way to discourage the production of nuclear weapons is to remove the causes of conflict.

Arms spending undermines human security, eating up precious resources that could have been used for human development

North Africa. But the remainder—a staggering \$95 billion a year—was in some of the world’s poorest countries.

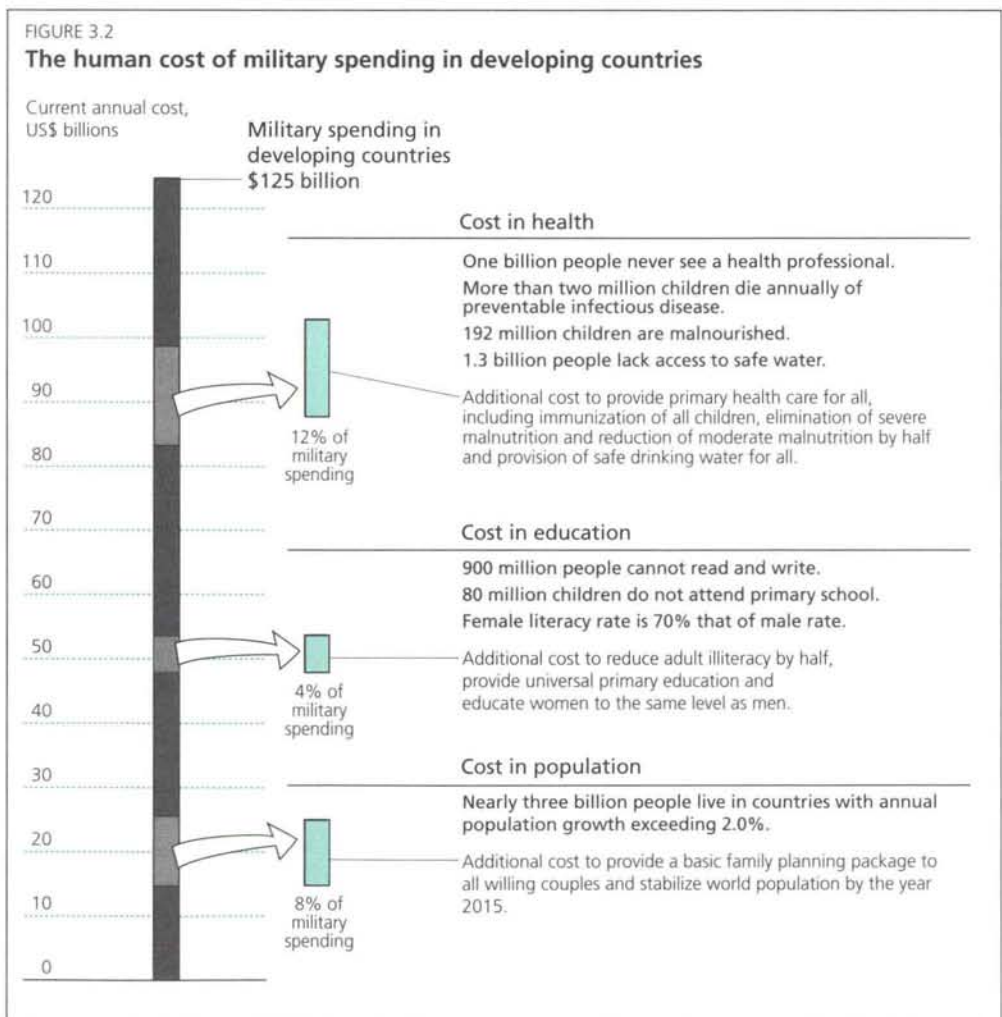
Developing countries often justified this high military spending on the grounds that it provided an effective deterrent against intervention—either by superpowers or by neighbouring countries—and earned the country respect in the international arena. They have also pointed out that the military have been an important source of employment and technological spin-offs for civilian industry.

Whether this spending brought increased security to the average citizen of these countries is doubtful. In developing countries, the chances of dying from social neglect (from malnutrition and preventable diseases) are 33 times greater than the chances of dying in a war from external aggression. Yet, on average, there are about 20 soldiers for every physician. If anything, the

soldiers are more likely to reduce personal security than to increase it. Developing countries have fought few international wars, and many have used their armed forces to repress their people.

Arms spending undermines human security in another way—by eating up precious resources that could have been used for human development (figure 3.2). In 1987 alone, the developing world spent more than \$34 billion of its scarce foreign exchange reserves on arms imports (75% of the world’s arms trade in that year went to the poor nations).

India and Pakistan together accounted for more than 18% of world arms imports—nearly twice as much as Saudi Arabia’s share. Even more disturbing is Sub-Saharan Africa, where the proportion of the regional GDP devoted to military spending increased from 0.7% in 1960 to 3.0% in 1991. At a time of severe structural adjust-



ment, much deeper cuts were being made in social than in military spending.

The loss of potential spending on human development is enormous. Even some of the poorest countries spend more on their military than on their people's education and health: Angola, Ethiopia, Mozambique, Myanmar, Pakistan, Somalia and Yemen.

It is sobering to reflect that countries spending very little on defence and much more on human development have been more successful at defending their national sovereignty than those spending heavily on arms. Compare the relatively peaceful experiences of Botswana, Costa Rica and Mauritius with the conflicts afflicting Iraq, Myanmar and Somalia.

Some developing regions have nevertheless cut their arms expenditure. Countries in the Middle East in some cases had little choice, since they were facing arms embargoes. There also were cuts in some Latin American countries, where governments undergoing structural adjustment were cutting their spending. But the picture was worse in South Asia and Sub-Saharan Africa, where armies continued to flourish in the midst of human misery (table 3.2). Despite having 800 million people in absolute poverty, the two regions continued to spend heavily on arms: South Asia \$19 billion, and Sub-Saharan Africa \$8 billion.

Some of the blame for this goes to the industrial countries, which have yet to phase out their military assistance or arms shipments. Indeed, in the past three years, several industrial countries, fearing job losses in defence industries, have increased their subsidies to arms exporters and encouraged them to increase sales to developing countries. Despite rhetoric to the contrary, the heads of state of some industrial countries take a keen interest in promoting international arms sales.

The future of world disarmament

The disappearance of the cold war and the ensuing reduction in military spending led to an initial expectation that world disarmament would follow automatically. Clearly, that is not the case. The removal of one source of antagonism has revealed

many others. Some are conflicts that had been suppressed by the larger superpower rivalry. Others are bitter, ongoing struggles that have cost lives for decades but been eclipsed by larger disputes.

Given the diversity of these disputes and the factors that sustain them, promoting human security at a global level will be a long and complex process. There is no simple formula for success. But future progress will clearly demand a higher level of cooperation between industrial and developing countries—to create new forums for peace talks in different parts of the world, to regulate the arms trade and to agree on a new role for the United Nations.

Disarmament is needed more urgently in the Third World. The cold war is not over yet—the job is only half-done. All the disarmament talks so far have been between East and West, not with Third World representatives. In the next phase of world disarmament, therefore, special attention must be paid to the problems of the developing countries.

Some of the most important steps in further world disarmament would be to:

- Establish forums for disarmament
- Defuse tensions around the globe
- Phase out military assistance
- Regulate the arms trade
- Design a new aid policy dialogue
- Agree on criteria for UN mediation in conflicts within nations
- Create more effective information systems.

Establish forums for disarmament

So far, the disarmament talks have been largely among industrial nations. Bilateral

The cold war is not over yet—the job is only half-done

TABLE 3.2
High military spending among poor countries

Country	GNP per capita (US\$) 1991	Military expenditure per capita (US\$) 1990/91
Sudan	400	23.3
Ethiopia	120	14.9
Chad	210	10.7
Burkina Faso	290	10.5
Mozambique	80	9.5
Mali	270	6.8

or regional negotiations in the developing world have had much less impact. One of the first priorities should be to develop some new institutional frameworks for disarmament. The obvious starting points are existing regional forums, such as the Organization for African Unity (OAU), the Organization of American States (OAS), the South Asian Association for Regional Cooperation (SAARC) and the Association of South-East Asian Nations (ASEAN). The OAU, for example, is already playing a major role in conflict resolution in Liberia. Another alternative, which covers most developing countries, would be the Non-Aligned Movement.

Although some of these forums have specifically excluded any discussion of defence issues, the time may have come to reassess this policy. The forums could be useful umbrellas for some quiet bilateral diplomacy—and enable other neighbouring countries to apply some constructive

pressure to normalize relations. The agreement signed in Tegucigalpa in December 1991 by six Central American heads of state is a good precedent (box 3.3).

The United Nations could also be more active—say, by providing strong secretariat support for any concrete moves towards Third World disarmament. So far, disarmament has focused more on high-technology weapons, when the real problems are small weapons. The United Nations has already taken initiatives on one of the worst killers—land-mines.

Defuse tensions around the globe

The defence buildup in many developing countries has been a genuine response to geopolitical tensions, some of which are already being defused—as with the expected settlement of the Israeli-Palestinian conflict, the peace process in Central America and the expected democratic elections in South Africa. Each of these issues has benefited from a strong and constructive interest from the major powers, the Non-Aligned Movement and the United Nations. And there clearly are many other opportunities for similar mediation.

The major powers might consider that they have a moral obligation to create such alliances for peace—to make up for their previous strategy of using the Third World as territory for fighting their proxy wars. Whether the developing countries would welcome such assistance is another matter. Governments may quietly appreciate the enhanced opportunities for peaceful accommodation, but opposition parties and domestic public opinion could consider this to be unwarranted interference.

Since there are often reservations about industrial country involvement, it might be better to use the forum of the United Nations. The UN is likely to be called in only after the outbreak of hostilities—either between or within states. But there is also a strong case for the UN to be involved when it expects major problems. (Chapter 2 of this Report has already identified several crisis spots and underlined the need to engage in preventive diplomacy to defuse any expected crises.)

BOX 3.3

A Central American accord for human development

Central America for decades was one of the world's most conflict-ridden regions. Civil wars, rebellions and cold war confrontations turned many of these small countries into battlefields. By the end of the 1980s, there were more than two million displaced people—10% of the region's population.

Since then, a concerted effort by national leaders and the international community has produced a remarkable transformation. A series of 14 presidential summits has not only helped silence many of the guns but also defused tension and promoted cooperation in human development.

The Esquipulas Declaration of August 1987 was a milestone. This mutual commitment became the basis for an appeal to the international community to support peace and development throughout the region—in every country, regardless of political orientation.

Another milestone was the General Assembly resolution in May 1988 establishing the Special Plan of Economic Cooperation for Central America (PEC). Within this framework, some of the most difficult issues were settled

through two internationally supported programmes: the concerted action plan (CIREFCA) and the programme for displaced persons, refugees and returnees (PRODERE), which sought to promote social integration in areas afflicted by poverty and armed conflict. Together, these programmes have helped 210,000 refugees return to their homes and 470,000 benefit from credit and other programmes to rebuild their communities.

These efforts towards sustainable development were further consolidated by the Tegucigalpa Commitment in 1991, which established human development goals for the region up to 2000. Seven National Action Plans were prepared, refocusing budget priorities on the social sectors. The recent summit in Guatemala in October 1993 identified further priorities and called for democratic participation.

Many civil and professional organizations have become more assertive and effective—notably on human rights issues. And several countries are moving towards democratic electoral processes.

Such crises are not necessarily provoked by political unrest: economic collapse and natural disasters can also lead to social breakdown. And on this issue, the UN Secretary-General has been quite explicit in his *Agenda for Peace*:

Drought and disease can decimate no less mercilessly than the weapons of war. So at this moment of renewed opportunity, the efforts of the Organization to build peace, stability and security must encompass matters beyond military threats in order to break the fetters of strife and warfare that have characterized the past.

If the UN is to help prevent such emergencies exploding into violent internal conflicts, its developmental role will have to be considerably strengthened, a subject discussed in chapter 4.

Phase out military assistance

Military assistance to the Third World formed one cornerstone of the cold war—as superpowers bolstered their allies with all manner of expensive hardware. It also had commercial motives, helping sustain the output of the arms industry by subsidizing exports and unloading outdated weaponry.

This kind of assistance declined sharply in recent years (table 3.3). Between 1987 and 1993, it fell from \$21 billion to \$5 billion. It should be emphasized, however, that most of the decline has been in the sale of larger conventional weapons—sales of small arms continue unabated.

The sharpest fall was from the successor states of the former Soviet Union—whose military aid, chiefly to Eastern Europe and Cuba, has stopped. US mili-

tary assistance has declined more slowly—between 1987 and 1993, it fell from \$5.4 billion to \$3.4 billion. The reason is that two-thirds of US security assistance is concentrated in Israel and Egypt, which continue to be strategic allies of the United States. The United States has also reduced its military training of personnel in around 100 countries—from 56,000 in 1975 to 4,500 in 1992.

Closely related to military assistance are military bases, which have contributed to the militarization of developing countries and distorted the social and economic development of many cities and regions. Some of these bases are already being phased out.

The most significant moves so far are for two major US installations in the Philippines—although in neither case was the closure a voluntary US decision. The Subic Bay naval facility was closed in 1992, because the Philippine Senate refused to extend the lease, and the Clark air base closure was precipitated by the eruption of nearby Mount Pinatubo in 1991 (box 3.4). But many of the functions of these bases

Drought and disease can decimate no less mercilessly than the weapons of war

A new horizon for Subic Bay

BOX 3.4

The US naval facility at Subic Bay in the Philippines was one of the world's largest overseas military bases. Its transformation illustrates some of the major problems and opportunities of converting bases from military to civilian use.

In addition to the 6,000 US military personnel, the base employed 27,000 Philippine citizens and many local contractors. The adjacent small town of Olongapo depended heavily on the base—providing a range of services to the sailors, including dozens of bars and thousands of prostitutes.

The United States estimated the value of the base on its departure at \$1.4 billion. Besides the deep-water port and an airport, there were 1,607 family housing units, a 198-patient hospital, six cinemas and a golf course. But there was also a more sinister legacy of environmental contamination. The residue of chemicals used in fire-fighting flowed directly into the bay. Heavy metals from the shipyard operation also drained into

the bay or were buried in landfills. Chemicals were released into the air by the powerplant. And gasoline and oil leaked into the soil from underground tanks.

By the time the base closed in 1992, the mayor of Olongapo had helped establish a Subic Bay Metropolitan Authority whose aim was to turn the former base into the "Hong Kong" of the Philippines. At the end of 1993, the authority had attracted 33 investors and \$340 million to the base—including a US power corporation now running the powerplant, a US petroleum company using the fuel tanks for distribution, Philippine garment manufacturers and international investors interested in creating resort facilities.

But the unknown level of environmental contamination—probably the most significant obstacle to further progress—is already deterring some international investors and could pose serious health problems in the future.

TABLE 3.3
Estimates of worldwide military assistance
(billions of 1993 US\$)

Country or region	1987	1993	Total reduction (1987–93)
United States	5.4	3.4	2.0
Western Europe	1.3	0.9	0.4
Arab States	0.3	0.2	0.1
China	0.3	0.1	0.2
Former USSR	13.5	0.0	13.5
Total	20.8	4.6	16.2

have been transferred to other countries in the region, including Guam, Japan and Singapore.

Military assistance has many damaging effects for poor countries. In addition to fuelling regional arms races, it has created distortions. Though the weapons may have been supplied cheaply, they have still entailed vast ancillary expenses—for infrastructure, maintenance and spare parts—diverting resources that could have been put to more productive use. Military assistance has also had powerful political and social impacts—greatly strengthening the army, for example, and opening opportunities for considerable corruption by both buyers and sellers. Some countries have also been landed with heavy debts since the former Soviet Union often gave military aid as loans. India owes the successor states \$11.3 billion, Viet Nam \$11.6 billion, Mongolia \$12.1 billion and Cuba \$19.7 billion, with more than half the debts apparently resulting from arms transfers.

The current international climate offers a unique opportunity to reach an interna-

tional agreement to phase out military assistance over, say, a three-year period. There will certainly be opposition to such a proposal, not least from the international arms lobbies. The Social Summit is one place where such an initiative could be launched.

Regulate the arms trade

The arms business is one of the most reprehensible sectors of international trade. Arms traders have no compunction about making profits out of poverty—selling sophisticated jet fighters or nuclear submarines to countries where millions of people lack the most basic means of survival (box 3.5). The top five exporting countries, which sell 86% of the conventional weapons exported to developing countries, in descending order: the former Soviet Union, the United States, France, China and the United Kingdom, all permanent members of the Security Council (figure 3.3). They sell two-thirds of these arms to ten developing countries—among them some of the poorest countries of the world, such as Afghanistan, India and Pakistan, which account for nearly 30% of developing country imports.

Even more regrettable is that arms dealers continue to ship weapons to potential trouble spots, showing little concern about fanning the flames of conflict. More than 40% of the sales of major conventional weapons during the past decade went to such trouble spots (table 3.4). Of the major suppliers, Brazil, China, Egypt, France, Italy, Libya, Romania, the former Soviet Union, Spain and the United States have been among the chief offenders (table 3.5 and figure 3.4). Ironically, the supplier countries lost control of the spread of wea-

TABLE 3.5
Deliveries by ten suppliers to countries at war, 1980–89
(as a % of their total deliveries of major conventional weapons)

Syrian Arab Rep.	99
Libyan Arab Jamahiriya	96
Egypt	90
Brazil	47
China	40
Former Soviet Union	35
France	23
United Kingdom	9
USA	5
Germany ^a	2

a. Federal Republic only.

BOX 3.5

The human development cost of arms imports

Many countries continue to import expensive arms, even though they have a long list of more essential items. This is clear from the arms deliveries and orders in the categories covered by the UN's arms register. Some of the choices by developing countries in 1992:

- *China*—purchased 26 combat aircraft from Russia in a deal whose total cost could have provided safe water for one year to 140 million of the 200 million people now without safe water.
- *India*—ordered 20 MiG-29 fighter aircraft from Russia at a cost that could have provided basic education to all the 15 million girls out of school.
- *Iran*—bought two submarines from Russia at a cost that could have provided essential medicines to the whole country many times over; 13% of Iran's population has no access to health care.
- *Republic of Korea*—ordered 28 missiles from the United States for an amount that could have immunized all the 120,000 unimmunized children and

provided safe water for three years to the 3.5 million people without safe water.

- *Malaysia*—ordered two warships from the United Kingdom at a cost that could have provided safe water for nearly a quarter century to the five million people without safe water.

- *Nigeria*—purchased 80 battle tanks from the United Kingdom at a cost that could have immunized all of the two million unimmunized children and provided family planning services to nearly 17 million of the more than 20 million couples who lack such services.

- *Pakistan*—ordered 40 Mirage 2000E fighters and three Tripartite aircraft from France at a cost that could have provided safe water for two years for all 55 million people who lack safe water, family planning services for the estimated 20 million couples in need of such services, essential medicines for the nearly 13 million people without access to health care and basic education for the 12 million children out of primary school.

TABLE 3.4
Sales of major conventional weapons
(billions of 1990 US\$)

	1985	1992	Average annual change (%) 1985–92
World sales (US\$ billions)	40	18	-10.5
Sales to developing countries (%)	57	51	-1.6
Sales to conflict countries/trouble spots (%)	37	42	1.8

pons and later had to try vigorously to collect the arms they supplied in the first place.

The arms trade is a notoriously murky business. When weapons are being bought and sold, the purpose for which they are intended is rarely clear—whether for legitimate needs of national security, for wars of external aggression, for campaigns of internal repression or for merely satisfying the greed of those who benefit from the transactions (table 3.6). There has never been any satisfactory accounting for arms sales—to the citizens of the buying and selling countries, or to the international community.

These weapons have not just wrought havoc within the buying countries. They have also on occasion been turned against the soldiers from the supplying nations—as in recent conflicts involving Iraq and Somalia.

One major challenge of the post-cold war era must be to design a comprehensive

policy framework for arms production and sales. Clearly, much of the pressure for international sales comes from producers promoting overseas sales to recoup overheads and maximize profits. So, if industrial countries genuinely seek world peace, they should be concerned not just about their levels of procurement, but also about their national levels of production. The same should apply to developing countries that also produce arms: Brazil, China, India, the Republic of Korea, South Africa and Turkey

TABLE 3.6
Arms trade, 1988–92

Top arms exporters	Exports of major conventional arms (millions of 1990 US\$)		
	1988	1992	Total 1988–92
USA	12,204	8,429	54,968
Former USSR/Russia	14,658	2,043	45,182
France	2,403	1,151	9,349
Germany	1,241	1,928	8,190
China	2,161	1,535	7,658
United Kingdom	1,704	952	7,623
Czechoslovakia	927	779	3,163
Netherlands	626	305	2,048
Italy	693	335	1,613
Sweden	606	113	1,416
Brazil	507	36	1,028
Total	40,034	18,405	151,014

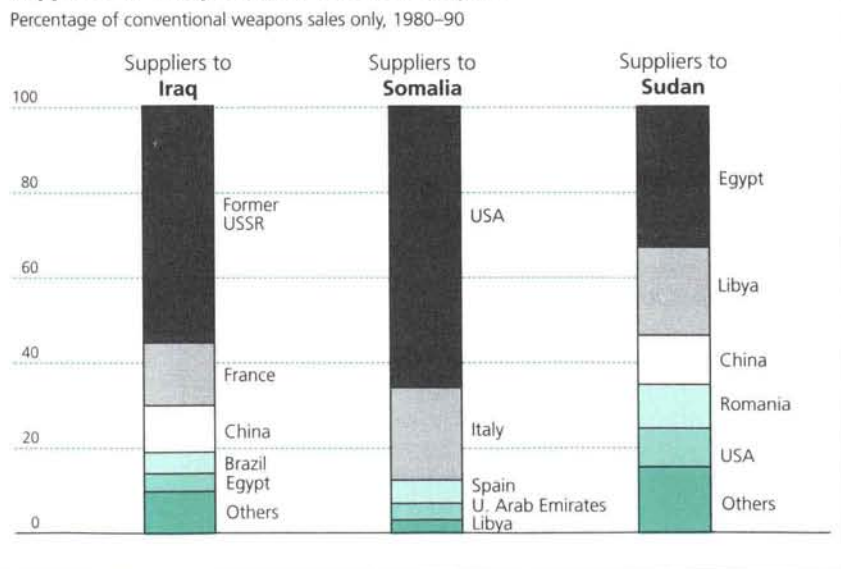
Top arms importers	Imports of conventional arms (millions of 1990 US\$)		
	1988	1992	Total 1988–92
India	3,709	1,197	12,235
Japan	2,544	1,095	9,224
Saudi Arabia	2,441	883	8,690
Afghanistan	1,264	1,215 ^a	7,515
Greece	814	1,918	6,197
Turkey	1,447	1,511	6,167
Iraq	2,845	596 ^b	4,967
Total	40,034	18,405	151,014

a. 1991.
b. 1990.

FIGURE 3.3
The permanent members of the UN Security Council supply the most weapons to developing countries



FIGURE 3.4
Suppliers of weapons to three trouble spots



The legacy of land-mines

Strewn liberally in most modern wars, more than 105 million unexploded land-mines are believed to remain buried in at least 62 countries. The UN estimates that 800 people die every month from mines. The countries worst affected: Afghanistan, Angola, Cambodia, El Salvador, Iraq, Kuwait, Nicaragua and Somalia.

Mines continue to kill and maim civilians long after a conflict ends. In Angola, two decades of civil war have left 20 million land-mines in the earth, two for every person in the country. The mines kill 120 Angolans each month. In Afghanistan, 12 million mines were laid during the 1980s war. In Cambodia, one mine remains in the ground for every two people living in the country, killing or maiming 300 people each month. In former Yugoslavia, 60,000 mines are being laid each month.

The increasing use of land-mines reflects the changes in modern conflicts. Armies are more often engaged nowadays in drawn-out, low-intensity conflicts in which one of the objectives is to

demoralize not just the opposing army but also the civilian population.

Land-mines are a lucrative part of the arms trade. With around 340 types of mines in production, at least 48 countries now manufacture them, and at least 29 countries export them. China, Italy, Romania and the United States are among the major exporters.

Clearing land-mines is difficult and expensive—between \$300 and \$1,000 per mine, each of which originally cost perhaps as little as \$3. Removing them all will cost \$200 to \$300 billion—so it is likely to take decades, even generations, to exhume the backlog.

In 1993, the UN General Assembly, concerned “that such mines kill or maim hundreds of people each week, mostly unarmed civilians”, called on “States to agree to a moratorium on the export of anti-personnel land-mines that pose grave dangers to civilian populations”. Realistically, the only hope for progress lies in an international agreement to stop the production and use of these barbaric weapons.

are expanding their arms industries.

While cutbacks in production should clearly apply to all arms, special emphasis should be placed on chemical weapons and on land-mines, which cause such terrible suffering to civilian populations: across the world an estimated 100 million land-mines are buried in unmarked locations awaiting their unsuspecting prey (box 3.6). In Cambodia alone, during 20 years of civil war, four million mines were placed. And in Angola, where conflict continues, more than 20,000 people have suffered amputations due to land-mine explosions.

While it is difficult to monitor and control local arms production, a start could be made in controlling international transfers. The United Nations could, for example, set up a mechanism through which the Security Council could:

- Maintain a list of sophisticated weapons and technologies that should not be exported at all, except under international agreement.
- Strengthen the reporting system of the UN arms register, so that up-to-date information on arms and technology transactions is published regularly (box 3.7)
- Regulate and eliminate the use of explicit or hidden subsidies to arms exporters.
- Tax arms sales to finance peacekeeping.

This kind of system would greatly enhance the prospects for action to head off costly conflicts. The Social Summit offers an important opportunity to develop such a framework.

Design a new aid policy dialogue

Many bilateral donors and multilateral agencies are beginning to highlight the issue of military spending—concerned that recipient countries are frittering away aid on weapons, or using up high proportions of their domestic budgets on defence. Germany, Japan, the Netherlands, the IMF and the World Bank have all raised this issue recently, though they have yet to develop a coherent policy for their aid conditionality—or consider any form of international coordination.

Several courses of action are possible. One is to make aid allocations dependent

The United Nations Register of Conventional Armaments

In 1992, the Secretary-General of the United Nations for the first time published a register of conventional armaments. In total, 80 countries (including all the exporters except South Africa and the Democratic Republic of Korea) submitted data on weapons transferred. There were seven categories: battle tanks (1,733 transferred), armoured combat vehicles (1,625), large-calibre artillery systems (1,682), combat aircraft (270), attack helicopters (40), warships (40) and missiles and missile launchers (67,878).

The system still has weaknesses. Some are definitional—it is not completely clear, for example, what exactly constitutes a transfer. And there are problems of incomplete information or insufficient detail (supplier and recipient reports of the same transfer often do not match). Financial data are also excluded, with weapons reported by number and not by value. And several categories of weapons do not have to be

reported at all—including bombs, small arms and ground-to-air missiles.

While nearly all exporters reported their sales, far fewer importers reported their purchases. Almost 60% failed to participate—including such importers as Bangladesh, Iran, Kuwait, Saudi Arabia, Syria, Taiwan (province of China) and Thailand.

Since the register excludes local production and procurement, it gives only a partial picture of the quantity of weapons produced and in the possession of armed forces. It nevertheless is an important breakthrough—the first time that governments have made such data public—and it could be the basis for a more complete reporting system.

The register is expected to be even more effective when regional registers are established—for Asia, Africa, Europe and Latin America. The categories of weapons could then more appropriately reflect the security concerns in each region.

on the recipient country's ratio of military to social spending—progressively reducing aid as the ratio becomes greater than 1. If a country spends more on its army than on its people, this should make donors stop and think. Of course, it would still be possible to keep this ratio below 1 even if social spending were very low or military spending very high, so an additional safeguard would be to set a minimum level of social spending (say, 5% of GNP) and a maximum level of military spending (say, 4% of GNP).

The same principles could be even more effective through positive incentives—giving more aid to countries that reduced their military expenditure.

Agree on criteria for UN mediation in conflicts within nations

The United Nations has intervened in conflicts between countries—to separate the combatants, to arrange cease-fires, to punish aggressors through internationally agreed sanctions and to buy time for a more permanent solution to the underlying dispute. The framework for such interventions is explicitly laid out in Chapter VII of the UN Charter.

Only recently has the UN been drawn into conflicts within nations—the Kurd rebellion in northern Iraq, the Shi'a rebellion in southern Iraq, the ethnic conflict in Bosnia, the disintegration of state authority in Somalia and the overthrow of democratically elected governments in Haiti and Myanmar. These crises raise some delicate questions. Should the UN risk infringing national sovereignty? What form should its intervention take—UN forces, emergency assistance or longer-term development aid?

Some of these issues are addressed in the Secretary-General's report, *An Agenda for Peace*. The report acknowledges that:

The nature of peacekeeping operations has evolved rapidly in recent years. The established principles and practices of peacekeeping have responded flexibly to the new demands of recent years, and the basic conditions of success remain unchanged: a clear and practicable mandate; the cooperation of the parties in im-

plementing that mandate; the continuing support of the Security Council; the readiness of member states to contribute the military, police and civilian personnel, including specialists required; effective United Nations command at Headquarters and in the field; and adequate financial and logistic support.

When human security is threatened within nations, UN peacekeeping operations can succeed only when the organization has a clear and workable mandate. Chapter VII may have to be reinterpreted and broadened for this purpose (box 3.8).

The extra resources needed must also be clearly identified. Peacekeeping operations should, as the Secretary-General has recommended, be financed from defence budgets. If the resources are taken from donors' development assistance budgets, they risk upsetting the balance between

The UN's mandate for conflicts within nations

BOX 3.8

The UN is being called on to intervene in conflicts within nations—as in Angola, Bosnia, Cambodia, Haiti, Iraq and Somalia. Does it have a mandate and a well-defined strategy for intervening in such circumstances? Chapter VII of the UN Charter (articles 41 to 43) addresses the circumstances in which the UN can take action against individual states. But its provisions have been applied mostly to conflicts between nations. Now they will have to be reviewed and adapted to deal with conflicts within nations.

Three basic issues have to be resolved. When to intervene? In what way? And for how long?

Four situations would appear to warrant international intervention: (1) mass slaughter of the population by the state, (2) decimation through starvation or the withholding of health or other services, (3) forced exodus and (4) occupation and the denial of the right to self-determination. Environmental destruction would appear to be the natural choice for a fifth reason, though international standard-setting has yet to evolve sufficiently. In all such cases, there is a need to establish that the internal situation in a country is a threat not only to its own people but also to

international peace and security.

On the form of intervention, soldiers in blue berets will usually be inappropriate in situations that cry out for socio-economic reform. In these situations, it is better to offer humanitarian assistance within a framework of longer-term development—through doctors, engineers or development personnel. Socio-economic interventions will clearly take much longer than military ones, and this should be accepted at the outset. Unless the objectives and time period are clearly specified, disillusionment will rapidly set in.

Nor should there be any attempt to use an occupying force to run the country. Instead, the UN should attempt to build appropriate political alliances.

In short, the traditional forms of UN action need to be critically reviewed to deal with new and different challenges—to decide who the combatants are, what sanctions to impose against each group, or how to enlist popular support for UN intervention.

Chapter VII of the UN Charter clearly needs a fundamental rethink. The Social Summit provides an opportunity to undertake such a review in the interests of global human security.

A genuine improvement in human security requires that the “peace dividend” be fully harnessed

emergency and long-term development assistance. An important way of mobilizing resources for peacekeeping operations would be to impose taxes on the arms trade and put the money into a separate fund.

The UN will also need greater resources to carry out additional socio-economic development responsibilities. As well as being able to draw on soldiers from various nations, it should also be able to call on a voluntary corps of engineers, doctors, technicians and development personnel from all over the world.

Create more effective information systems

The transition from arms security to human security demands much more accurate information systems. If arms flows are to be slowed or halted, we need to know exactly where they are going and how.

Some data exist on military spending and the international arms trade, but there are also considerable gaps. Some of the most notable:

- *Military expenditure*—Although the military is one of the greatest consumers of public budgets and the earth’s resources, few governments have considered it necessary to make military information available to their people or to the international community.
- *Arms transfers*—In 1992, for the first time, the United Nations established an

arms register in which 80 countries reported on their imports and exports of major conventional weapons. But the reporting has glaring omissions that should be rectified.

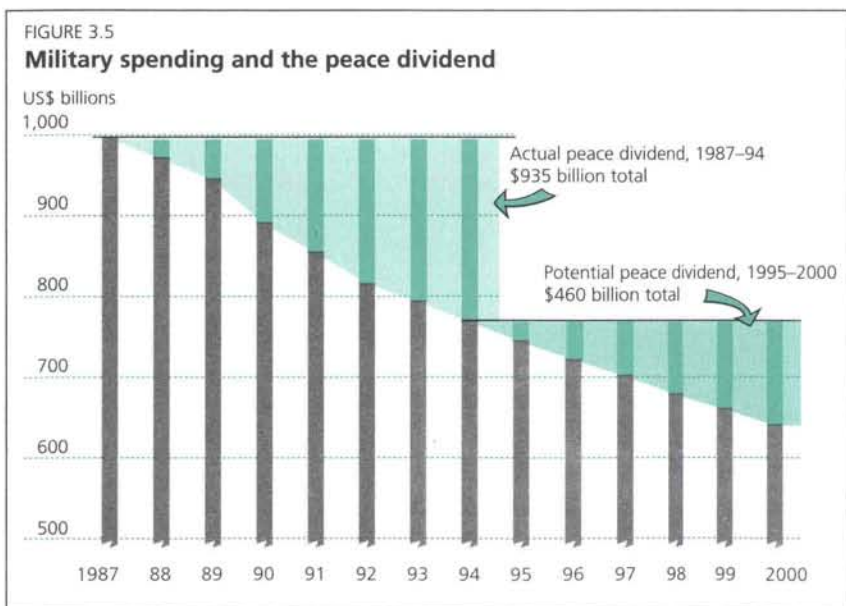
- *Arms production*—Since excessive production of arms is responsible for much of the pressure for international sales, it is important to monitor all arms production.
- *Military assistance*—Neither donors nor recipients publish comprehensive data on military assistance. It would be useful for the Development Assistance Committee of the OECD to include tables on military assistance in its annual reports.
- *Subsidies to arms exporters*—It is almost impossible to find information on such subsidies, either explicit or hidden, making it very difficult to mobilize pressure for their elimination.
- *Military bases*—Information on bases is thin and scattered—whether on location, size or employment. Without such information, it is difficult to assess the impact of existing bases or the real implications of proposed closures.
- *Military debts*—Only in the past three years has the IMF started collecting data on the military debts of developing countries. The people of these countries could be in for a rude shock: the military debts of several countries may exceed their development debts. The IMF would perform a valuable service by regularly collecting and publishing these data.

These are just some of the areas where information is lacking. Indeed, the whole arms industry is surrounded by walls of secrecy that exclude public debate.

The seven-point agenda just outlined is not a detailed plan for Third World disarmament. Instead, it is intended as an invitation for the Social Summit to give the UN the mandate to draw up a time-bound blueprint for global disarmament.

The peace dividend

Reducing military spending is only half the task. A genuine improvement in human security requires that the resources saved—the “peace dividend”—be fully harnessed for human development.



During 1987–94, the industrial nations appear to have cumulatively saved some \$810 billion, and the developing nations \$125 billion, producing a sizable peace dividend of \$935 billion. But it is difficult to track where these funds went. Most of the savings appear to have been committed to budget deficit reductions and non-development expenditures, rather than to social development or to environmental improvements. It is frustrating that, just as social and human agendas were pushed aside at a time of rising military budgets, they continue to be neglected even when

military expenditures are being reduced.

If the world is to seize this opportunity, it will have to be much more positive and precise about future peace dividends. During 1995–2000, if an annual reduction of 3% in military spending is sustained, the peace dividend could be \$460 billion (figure 3.5). The first task must be to separate this dividend as an item in national budget accounts—otherwise, it will disappear quietly, frustrating all efforts to track it down. If this had been done earlier, the public probably would have been more vociferous about its destination.

SPECIAL CONTRIBUTION

A Global Demilitarization Fund

The recent decline in world military spending presents us with an undeniable challenge. With reductions in military spending between 1987 and 1992 of 3% a year or more, an estimated cumulative dividend of \$500 billion was trimmed from defence budgets—\$500 billion that could have contributed much to global peace and human security.

What has happened to this peace dividend? Some of it has been absorbed by the costs of conversion from military to civilian activities. Another part has apparently been directed towards the reduction of budget deficits. However, no one knows for sure where the savings from reduced military spending are going. They are not being differentiated in national budgets, nor are they being sufficiently monitored. How long must we wait for the dividends of peace to become visible?

It is in this regard that I would like to propose the establishment of a Global Demilitarization Fund. This fund could add dynamism to the current demilitarization trend by rewarding primarily, but not exclusively, the efforts of developing countries to:

- Disarm and demobilize their armed forces.
- Re-integrate military personnel into society through retraining and re-education programmes in order to expand their range of choices and economic opportunities.
- Promote arms control and the shrinkage of arms production facilities.
- Encourage civic education and participation in fully democratic political life.

In addition, the Global Demilitarization Fund could stimulate the current decline in military spending by linking the reduction in military expenditure to the consolidation of world peace.

There has been a growing tendency for the industrial countries to look inward after the cold war. But they should understand that it is in their own interest to promote demilitarization around the globe.

Let the nations of the world, both rich and poor, commit themselves to at least a 3% a year reduction in their military

spending levels over the next five years. The rich nations should agree to earmark at least one-fifth of these savings towards a demilitarization fund which is under international jurisdiction. Developing countries should also agree to contribute a fraction, perhaps one-tenth, of these savings towards such a fund.

The actual numbers are not important. What is important is the principle of committing a portion of the peace dividend to promote global demilitarization. Even those countries which do not reduce their military spending should still be obliged to contribute to the fund according to the prescribed formula.

Who will manage the Global Demilitarization Fund? This is for the 1995 Social Summit to decide. The World Bank and the United Nations agencies should be strongly considered. In any case, the designated institution should have sufficient capacity and authority to administer the Fund's resources justly and efficiently.

We cannot continue to ignore the threats posed by arms proliferation and the declining political and economic incentives to demilitarize. The Global Demilitarization Fund would be an important step towards achieving human security: first, in creating and using the peace dividend; second, by speeding and encouraging the processes of demilitarization, demobilization, and conversion; and third, by helping less developed countries to further their own democratic and human development goals by making a portion of the peace dividend available to them.

Only global cooperation can foster the security which we have sought for so long, but which has eluded us so frequently. Let us make a definitive effort to use the peace dividend for the construction of just, prosperous and demilitarized societies. And let us capitalize on the benefits of disarmament to promote and guarantee the rewards of peace.

Oscar Arias, winner of the 1987 Nobel Peace Prize

Each country should credit the savings from reduced military spending to a separate demilitarization fund

One approach would be for each country to credit the savings from reduced military spending to a separate demilitarization fund. Such a fund is likely to have three main calls on it: reducing budget deficits, paying the costs of military conversion and investing in human development both at home and in other countries. The national funds could be complemented by a global demilitarization fund, as suggested by Nobel Peace Prize winner Oscar Arias (special contribution, p. 59).

Reducing budget deficits is likely to be the most immediate use—since the need to cut government spending has been the motive for most of the defence cuts so far. But a significant proportion of these funds will, of course, have to be spent on the cost of conversion from military to non-military activities. The arms industry worldwide employs 14 million people, of whom four million or more could lose their jobs between 1993 and 1998. Many of these people will find new jobs, but funds will need to be set aside for retraining and for unemployment assistance. The impact of reduction in the arms industry is likely to be concentrated in a few countries, notably France, the United Kingdom and the United States. But the biggest impact will be in the successor states of the former Soviet Union, where the cuts have been taking place while whole economies are in turmoil.

Unemployment can also be anticipated from the demobilization of armed forces. Between 1990 and 1992, some 2.2 million personnel were demobilized (one-third in developing countries), and a similar number are expected to be released in the next few years. In addition are millions of civilian personnel whose jobs depend on the armed forces. Other costs that can be anticipated are those for the conversion of

military bases and the destruction or disposal of weapons.

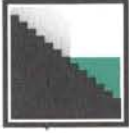
What will this leave for investment in human security? Not much, unless governments make firm commitments at the outset to allocate a significant proportion of the demilitarization fund to human security.

The possibilities for achieving this will vary from country to country. Developing countries should in many cases be able to commit a sizable proportion of their demilitarization funds for human security measures in their own countries. The Western industrial countries should be able to do more—allocate human security funds both domestically and internationally. The successor states of the former Soviet Union, however, will almost certainly absorb all of their peace dividend domestically, to cope with the economic turmoil they face.

The forthcoming Social Summit offers the opportunity to make these kinds of commitments. A collective effort must be made at the time of the Summit to:

- Endorse the principle that no nation should spend more on its military than on the education and health of its people.
- Agree on a targeted reduction in military spending for the decade 1995–2005—say, 3% a year.
- Endorse the establishment of a national demilitarization fund in each country as well as the creation of a global fund for human security.
- Recommend a review of the scope of Chapter VII of the UN Charter.

Focusing the savings from military expenditure more precisely by identifying the peace dividend and allocating it to development requires, however, that the world make good use of such funds. It would be tragic if money saved from military expenditure were dissipated in misdirected social expenditure.



A new design for development cooperation

The new demands of human security will require a new and more positive relationship between North and South—a new era of development cooperation.

Economic relations between North and South have for too long been based on antagonism and confrontation. And it might be thought that the widening income disparities between industrial and developing countries would perpetuate and intensify such disputes into the next century.

In fact, this divide will probably become increasingly irrelevant in the years ahead. The primary reason is that the history of recent international negotiations has exposed yawning gaps between the positions of individual countries within both groups. Many issues bind these groups—many others divide them. The traditional North-South cleavage is no longer a useful basis for negotiations.

Experience has also shown that, even when interests coincide, it would be naive for developing countries to believe that they can negotiate from a position of collective weakness. The only countries that have become major players on the international scene are those that have strong domestic economies.

Developing countries have tended in the past to argue that almost all their economic problems spring from an inequitable international order. There certainly are many changes needed in global economic affairs—including freer flows of trade, technology, capital and labour—but developing countries now recognize that no amount of external assistance can ever substitute for the fundamental reforms needed in their domestic economies.

This more pragmatic and realistic outlook suggests that now is the time to move

on from the sterile confrontations of the past and to forge a new and productive economic partnership among the nations of the world—based not on charity but on mutual interest, not on confrontation but on cooperation, not on protectionism but on an equitable sharing of market opportunities, not on stubborn nationalism but on far-sighted internationalism.

Development cooperation has often been interpreted narrowly to include little more than foreign aid. But industrial and developing countries interact in numerous other ways—culturally, politically and economically. Indeed, flows of official development assistance (ODA) are often swamped by the other international financial flows. Many of these were considered in *Human Development Report 1992*, which emphasized the importance of opening market opportunities both within and between nations.

Beyond aid

The new design of development cooperation must be broadened to include all the international flows, not just aid. Some of the most significant non-aid flows are private investment, labour and international trade and finance, including debt payments.

Private investment flows

One of the most remarkable developments of the past decade has been the acceleration in private investment flows to developing countries—foreign direct investment, private loans and portfolio equity investment. Between 1970 and 1992, these flows increased from \$5 billion to \$102 billion (figure 4.1).

No amount of external assistance can ever substitute for fundamental reforms in domestic economies

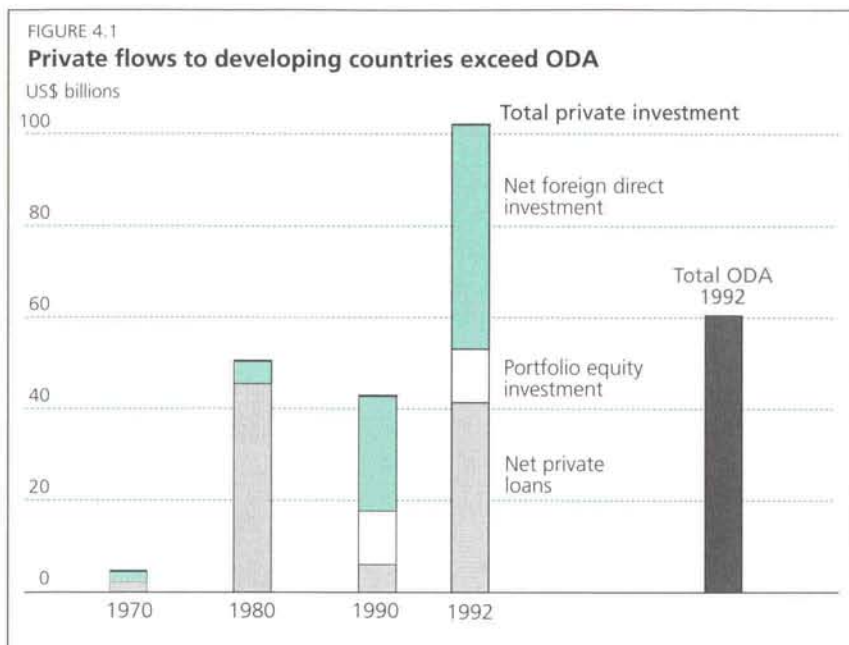
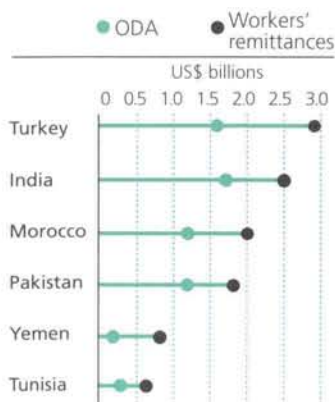


FIGURE 4.2
More from workers' remittances than from ODA



So far, the private capital flows have been concentrated in just a few countries. Of the total flows during 1989–92, 72% went to just ten countries: in descending order, China, Mexico, Malaysia, Argentina, Thailand, Indonesia, Brazil, Nigeria, Venezuela and the Republic of Korea. The poorer countries received only a very small share: Sub-Saharan Africa received only 6% of foreign direct investment in the late 1980s, and the least developed countries only 2%.

If more developing countries are to benefit from private investment flows, they will have to improve their economic management, invest considerably in their human capital and enlist the support of the regional and international development banks.

Labour flows

International migration has grown significantly in recent years. Around 80 million people now live in foreign lands, and their numbers are rising steadily. One million people emigrate permanently each year, while another million seek political asylum.

The proportion of foreign-born residents is now 21% in Australia, 16% in Canada, 8% in the United States and 4% in Europe. With annual arrivals having doubled since the 1960s, the United States receives more immigrants than any other

country—almost more than all other countries put together. Most immigrants in industrial countries today come from developing countries.

Remittances from emigrants have become a major source of income for developing countries—more than \$20 billion a year. Among the major beneficiaries: Bangladesh, Egypt, India, Jordan, Morocco, Pakistan, the Philippines, Tunisia, Turkey and Yemen. Remittance flows are equivalent to more than a third of ODA and have the advantage that they come with no conditions attached and do not have to be repaid. In some countries—such as India, Morocco, Pakistan, Tunisia, Turkey and Yemen—annual remittances outweigh ODA by a third or more (figure 4.2).

But the industrial countries are becoming increasingly resistant to immigration. With their economies stagnating and unemployment rising, there is strong public opposition to further arrivals. In the developing countries, however, emigration pressures will remain high, and if global opportunities do not move towards people, people will continue to move towards global opportunities.

If the industrial countries sustain the same immigration policies, there is a strong argument for compensating the developing countries for restrictions on the migration of their unskilled labour. But a better long-term solution would be to offer the developing countries greater trade opportunities—so that their goods move rather than their people.

Trade flows

Since capital and labour markets offer only limited opportunities for developing countries, the burden for equalizing returns between rich and poor countries lies heavily on the trade in goods and services. Despite the barriers, some developing countries have done well in trade in recent years. But the main beneficiaries have been a handful of nations in East Asia and Latin America. The bottom 20% of the world population—in line with its dismal performance in global output and investment—had less than 1% of world trade (figure 4.3).

Developing countries are expected to gain, though only slightly, from the recently concluded Uruguay Round of trade negotiations. The gains to world trade by 2002 are estimated at \$275 billion, but the developing countries are expected to see less than a third of this (table 4.1). And even these gains will be long delayed because of the period for phasing out some forms of protection: the Multi-Fibre Arrangement, for example, will be phased out over ten years.

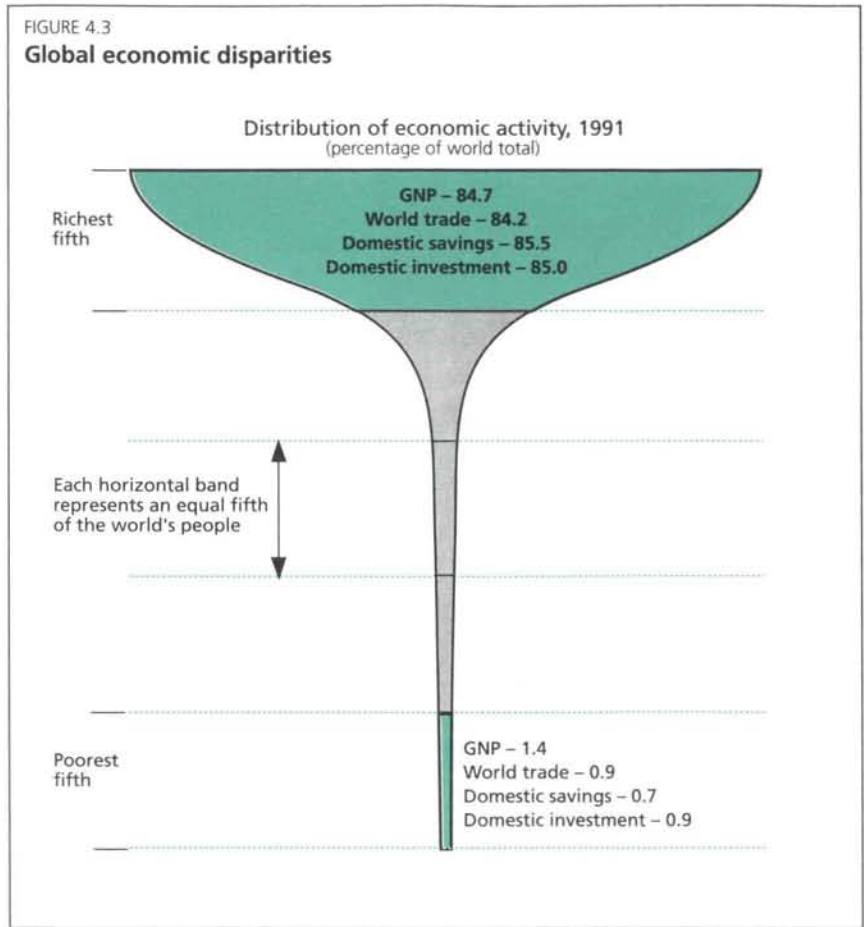
Given the losses that developing countries will continue to sustain over this period, they have a strong case for compensation. Similarly, the developing countries gain little from the new agreements on agriculture since protection has been only slightly dented rather than eliminated.

It is ironic that some industrial countries are becoming more protectionist just as developing countries and the economies in transition are opening their economic systems. In the coming decade, the crucial structural changes will have to take place in the North.

Debt payments

For developing countries, debt is a major constraint on economic growth and on investment in human development. In 1992 alone, they had to pay \$160 billion in debt service charges—more than two and a half times the amount of ODA, and \$60 billion more than total private flows to developing countries in the same year.

The total external debt of developing countries grew fifteenfold over the past two decades: in 1970, it was \$100 billion, in 1980, around \$650 billion and in 1992, more than \$1,500 billion. Because of the service charges, developing countries now pay more than they receive. In the past decade, net financial transfers on long-term lending to developing countries have been negative, with the industrial world receiving net transfers of \$147 billion (figure 4.4). Although there are indications of an upturn, the net transfers to developing countries from the Bretton Woods institutions continue to be negative (figure 4.5). Despite several attempts to find a satisfactory solu-



tion, the total debt of developing countries continues to grow.

Their debt service ratio (the ratio of debt service to exports of goods and services), however, has been coming down. Since 1987, the debt service ratio for the

TABLE 4.1
Potential benefits from the Uruguay Round in 2002
(billions of 1991 US\$)

Country or region	Scenario A ^a	Scenario B ^b
European Union ^c	78.3	71.3
Japan	35.5	42.0
European Free Trade Association ^d	34.2	38.4
USA	26.3	27.6
Canada	5.9	6.6
Australia	1.7	1.9
Total OECD	181.9	187.8
Non-OECD countries	29.9	86.4
Total world	211.8	274.2

a. Scenario A assumes that trade liberalization occurs only in the OECD.

b. Scenario B assumes that trade liberalization occurs in the entire world.

c. Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and the United Kingdom.

d. Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland.

FIGURE 4.4

Net flows to developing countries turning positive again

US\$ billions

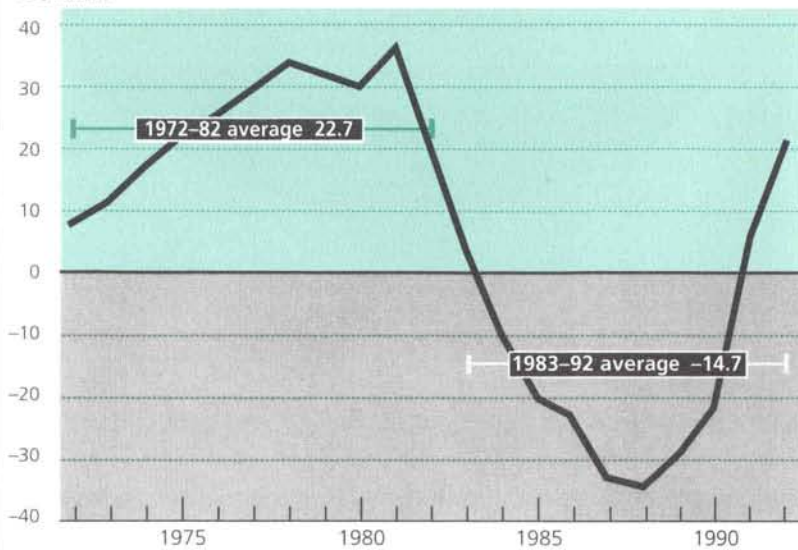
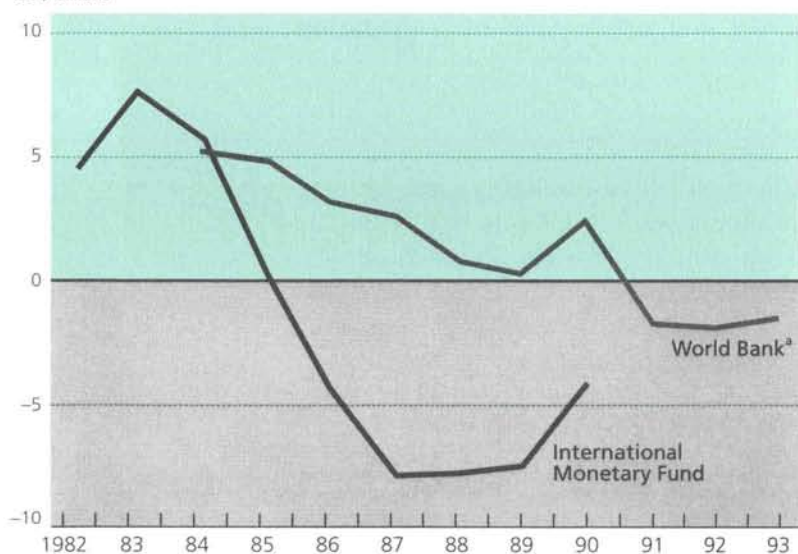


FIGURE 4.5

Net transfers to developing countries from Bretton Woods institutions

US\$ billions



a. Current borrowers only.

developing world has declined from 24% to 21%—largely as a result of rising exports.

But the debt problem of the poorer nations is nowhere near a solution—and it is hampering their ability to meet urgent human development needs (figure 4.6). The Social Summit would make a significant contribution if it could persuade the industrial countries to respect their agreements at Toronto and Trinidad. Those countries could go even further and cancel the debts

of the poorest countries—if the money released were earmarked for social development.

New forms of development cooperation

The relationship between industrial and developing countries has often been profoundly unequal, and the losses to developing countries as a result of this inequity have often thwarted the contributions of ODA. That is why a new approach to development cooperation will have to be more inclusive and more coherent. Foreign direct investment, international trade, capital flows and ODA—all should contribute to human development in the South and promote greater global equity.

Even when the industrial countries recognize the inequities in North-South relationships, they may still face many domestic compulsions in removing their restrictions against the developing countries. They may be reluctant to remove trade barriers, for example, before making needed adjustments in their own economies. And they may want time to redirect investment and retrain workers whose jobs may disappear because of competition from developing countries.

Compensation for damages

If industrial countries wish to maintain their restrictive practices, there is a strong case for compensating developing countries. The worst damage usually comes from restrictions on international trade. Free trade normally benefits all countries. Everyone gains in principle from a worldwide flow of goods, services, technology, capital and labour. In any transaction, the benefits might be unequally distributed, but in a liberal trading regime, most parties gain: markets are positive-sum games.

When markets are unfair within a national economy, a legal remedy is usually available. In many countries, it is illegal to discriminate against workers on the basis of their race, gender or religion. It can also be illegal for banks to discriminate against certain borrowers or businesses owned by specific groups. In these cases, the injured

party can take the offender to court and claim damages.

But when it comes to international discrimination, there is no such recourse. Two cases where compensation might be in order are migration and trade.

Restrictions on migration

Rich countries often give immigration permits only to a selected number of technical and highly skilled people, denying entry to large numbers of unskilled workers. This can lead to two forms of damage. First is the brain drain from poor countries that lose the human capital these people embody. Second is the loss of income opportunities for unskilled workers—and the proportion of that income that would have returned to the migrant-sending countries in the form of remittances.

- *Brain drain*—The losses from the brain drain can be seen as the loss of the public investment made in their education or skill, or as a loss in productivity for the country.

African countries are among the hardest hit. Between 1985 and 1990, Africa lost an estimated 60,000 middle and high-level managers. In Ghana, 60% of the doctors trained in the early 1980s have left the country. Latin America and the Caribbean also lose a high proportion of their university graduates: in some countries, over 20% of all graduates choose to emigrate. And some of the smaller countries come off worse, particularly in medicine: to end up with one doctor, a country must train many more. The greatest exodus of trained professionals is from Asia, many of them scientists, with the United States as the principal destination. Between 1972 and 1985, the four major exporting countries (India, the Philippines, China and the Republic of Korea) sent more than 145,000 workers with scientific training to the United States.

One way to compensate partly for brain drain losses would be to require that emigrants, before their departure, should repay any education subsidies they have received. Another option would be a two-tier system of tuition charges: those paying the higher charges would be free to emigrate, while

those accepting the subsidy would be required to work in their home country for a set number of years.

A tidier solution, however, would be for the payment to be made by the country receiving the immigration. This would be more consistent with the principle that people should be free to live and work where they please. And if the international community decides that it wishes to discourage the brain drain, it could increase the level of compensation accordingly.

- *Excluding unskilled labour*—It can be argued that the industrial countries are working against their own economic interests by excluding unskilled labour. Fuelling the economic boom in Western Europe in the 1960s and the explosive growth in the oil-producing states of the Middle East in the 1970s and 1980s were large flows of unskilled labour. Such flows result in temporary costs and social dislocations, including racial tensions, and there may be some dampening of wages at the bottom of the scale. But on the whole, immigration stimulates—rather than depresses—expansion and prosperity.

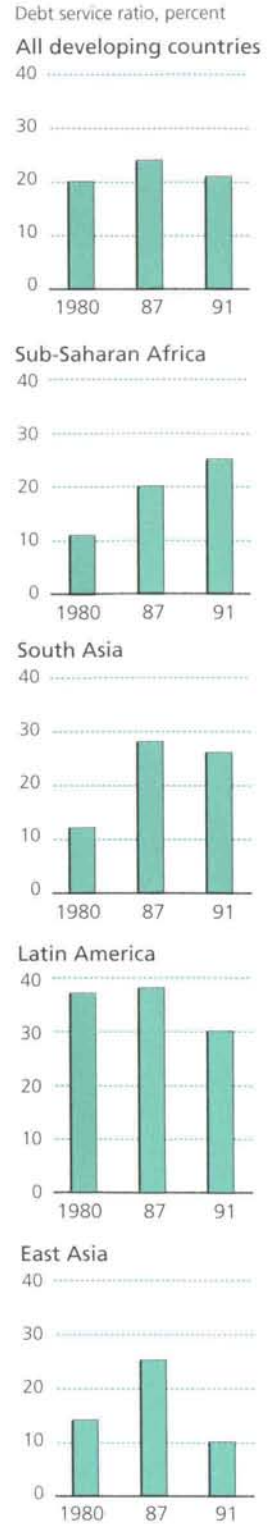
For political or social reasons, industrial countries choose to exclude large numbers of unskilled workers—as do some of the richer developing countries, such as the Republic of Korea and Singapore. If these restrictions on the international migration of unskilled labour were removed, remittances would increase sharply. To make up for the loss of earnings due to the restrictions on labour migration, the migrant-receiving countries might compensate the migrant-sending countries.

For the migrant-receiving countries to be persuaded of the value of such payments, they would need to be assured that the payments were being used to reduce emigration pressures. One way to achieve this objective would be to invest the payments in human development to create employment in the migrant-sending countries and reduce population growth.

Restrictions on trade

The industrial countries also place severe restrictions on the import of some goods

FIGURE 4.6
Burden of debt shifts to poorest regions



from developing countries, especially clothing, textiles, footwear, processed primary commodities and light manufactured goods. Moreover, protectionism against these goods is rising—frequently in the form of non-tariff barriers, which can more easily circumvent GATT rules. This is particularly galling for the developing countries now that their economies are more open than ever to outside competition. In fact, it is the affluent North, not the poorer South, that is now resisting structural adjustment of its economies.

How much do these restrictions hurt developing countries? Coming up with precise estimates is difficult, but the OECD estimates that their costs to developing countries exceed the value of aid flows to these countries. And *The Economist* reported that if rich countries abolished all their barriers to Third World goods, the increase in developing nations' exports would be

worth twice what they receive in aid. For textiles and clothing alone, the damage has been estimated at more than \$50 billion a year (box 4.1). Some studies have calculated that liberalizing the trade in agricultural commodities would yield an annual gain of \$22 billion (in 1992 dollars) for the developing and formerly centrally planned economies (box 4.2).

So, the case is strong for a compensation scheme—operated perhaps by GATT or by its proposed successor organization, the World Trade Organization (discussed below). In addition to compensating developing countries, this scheme would provide a strong incentive for countries to liberalize their trade. Those that refuse to do this, fearing short-term labour dislocations, would have to pay an immediate price. And those that want to avoid paying compensation would be encouraged to reduce barriers. If such a scheme worked, it would progressively remove the obstacles to trade between rich and poor countries.

BOX 4.1

A \$50 billion bill for trade barriers on textiles and clothing

The manufacture of textiles and clothing is one area where the developing countries have a comparative advantage—and achieve a trade surplus with the industrial countries. For many developing countries, these labour-intensive industries with simple technologies represent a great opportunity to accelerate the pace of their industrialization and diversify their exports away from primary commodities. In 1992, such exports were worth \$60 billion.

But these are precisely the goods against which the industrial countries have raised the highest barriers—tariff and non-tariff—through the Multi-Fibre Arrangement (MFA). Under this arrangement, the industrial countries apply quotas to imports of textiles and clothing from developing countries, but not to those from other industrial countries—a clear breach of the GATT principles of non-discrimination.

The intention of the industrial countries is to preserve jobs in some of their weakest industries. But doing this is very expensive. The short-run gains for textile workers are more than offset by the higher prices that everyone has to pay as consumers. In the United Kingdom, it has been estimated that

without the MFA, textiles and clothing (both locally produced and imported) would be 5% cheaper. In the United States, one study concluded that the annual cost of protecting one job was between two and eight times the average annual wage in the industry.

Developing countries pay an even higher cost. A study in the 1980s by the IMF suggested that a complete liberalization would enable developing countries to increase their exports of textiles by 82% and those of clothing by 93%.

In 1992, UNCTAD reported that quantitative restrictions affected 67% of the exports of textiles and clothing from developing countries. Average tariffs also remained high: 18% in the United Kingdom, 20% in Canada, 23% in Austria and 38% for some items in the United States.

Without tariff and non-tariff barriers, the developing countries could nearly double their exports of textiles and clothing. The industrial countries, by violating the principles of free trade, are costing the developing countries an estimated \$50 billion a year—nearly equal to the total flow of foreign assistance.

Payment for services to ensure global human security

Many projects that the industrial countries support in the Third World have global effects and thus also serve their own interests—as well as those of other developing countries that may not be the direct recipients of their aid. Controlling the flow of drugs is an example, as is halting the spread of communicable diseases. To the extent that these projects serve the interest of industrial countries—and humanity—the funds to support them should be considered not as aid but as payment for services rendered. Although not mediated by markets, the payments are a type of market transaction, and they should not be confused with foreign aid (box 4.3).

Poor countries assist with the security of the rich ones in several ways.

- *Environmental controls*—The developing countries are home to most of the world's tropical forests, and it is in everyone's interest that these be preserved to help slow global warming and maintain biodiversity. So, the world community should share the cost of their preservation.

Similarly, the protection of the ozone layer demands global restraint in the production of chlorofluorocarbons (CFCs). The industrial countries have been responsible for most of the ozone destruction to date—through CFCs used as cheap coolants for refrigerators, for example. If the developing countries are to forgo cheap but destructive options, they will need to be compensated—through cash payments, perhaps, or through the provision of alternative technologies or the means to develop them.

A corollary of this principle is that countries that insist on polluting the global environment (usually the industrial ones) should be charged for such irresponsibility. The principle of “making the polluter pay” is already being applied within countries—and now is the time to apply the system internationally. This could be the basis for an international market for tradable permits for various forms of pollution (box 4.4). Some estimates suggest that such a system could transfer as much as 5% of the GNP of the richer nations to the poorer ones. Again, this should be considered not as aid but as a payment for services.

- *Destruction of nuclear weapons*—It is also in everyone’s interest that the global nuclear threat be removed. Yet the task of destroying nuclear weapons and converting armaments factories to peaceful use falls disproportionately on some of the weakest countries—particularly the successor states of the former Soviet Union. It is unrealistic to expect them to finance this entirely out of their own resources. Instead, payments should be made on the basis of an international compact. Again, this should not be regarded as aid but as payment for services rendered. At present, however, both bilateral and multilateral donors are financing conversion programmes by raiding ODA funds intended for developing countries.

- *Controlling communicable diseases*—To contain such diseases as malaria, tuberculosis, cholera and HIV/AIDS is clearly in the interest of all countries, and it is much more efficient to do this as a global joint initiative rather than country by country. It makes much more sense to initiate worldwide vaccination campaigns against a contagious

disease than to try to exclude individual carriers at national frontiers. It is easier to clean up the water supply in cholera-prone countries than to monitor all the agricul-

BOX 4.2

The cost of agricultural protection

The industrial countries have long aimed at agricultural self-sufficiency. They have achieved this partly by subsidizing their own farmers—and partly by raising tariff and non-tariff barriers against foreign producers. In most cases, however, this is now resulting in substantial overproduction, with products piling up in grain and butter “mountains”.

This strategy is very expensive. In 1991, OECD subsidies for agriculture totalled \$180 billion. In the European Union alone, protection costs around \$38 billion a year, of which \$2.6 billion is spent to store surpluses.

This may benefit farmers, but it is costly for everyone else in the industrial countries. Not only do people have to finance the subsidies by paying higher taxes, they also have to pay higher food bills since import barriers keep out cheaper foreign produce. For the industrial countries in 1990, the average additional bill for each non-farm family was \$1,400 a year. In Japan and the European Free Trade Area, the cost was even higher—\$3,000 per family.

Industrial country agricultural protectionism also causes damage in developing countries, though in these

countries the farmers suffer. When industrial countries dump surpluses of products such as sugar, cereal and beef in developing countries, the local price plummets. In some African countries, where it costs \$74 to produce 100 kilos of maize, the local market price has fallen to \$21. A similar effect is evident in meat exports. In 1991, the European Community dumped 54 million tons of frozen and chilled beef in Africa—further impoverishing four million Sahelians who depend on cattle farming. In Côte d’Ivoire between 1975 and 1993, the proportion of beef imported from neighbouring countries of the Sahel fell from two-thirds to less than one-quarter. Developing country farmers also lose out because industrial countries use tariff and non-tariff barriers to exclude their produce.

Liberalizing the trade in agricultural commodities would benefit both industrial and developing countries. It has been estimated that complete liberalization would yield an annual gain (in 1992 dollars) of about \$25 billion for OECD countries and \$22 billion for the developing and formerly centrally planned countries.

BOX 4.3

Payment for services rendered—forest conservation in Costa Rica

If the industrial countries were to pay Costa Rica not to cut down its forests, how much would this cost? Consider the commercial value of the trees felled. In 1989, Costa Rica felled 10 million cubic metres of forest with an estimated net timber value of \$422 million. Clearly, the industrial countries could not be expected to pay the entire cost of the harvest forgone, since Costa Rica would also gain in the long term by establishing sustainable rates of harvesting. But it does indicate an order of magnitude.

Similar, if smaller, payments have al-

ready been made to Costa Rica in “debt-for-nature” swaps. In 1988, the Netherlands purchased part of Costa Rica’s external debt at a cost of \$5 million and then wrote it off on the condition that Costa Rica spend an equivalent amount in local currency on forestry development. In 1989 and 1990, Sweden purchased a further \$5.5 million of Costa Rica’s debt for a similar purpose.

There is no need, however, to link these payments to debt reduction. They could be made directly—for services rendered.

BOX 4.4

Tradable permits for global pollution

One way of controlling greenhouse gases would be for an international authority to issue tradable permits that entitle the holders to emit a certain quantity of pollutants. The authority could lease the permits for a certain time and use the proceeds for environmental projects—or it could distribute the permits free of charge.

Countries that did not need their full quota could sell or lease their surplus to others. Those generating more pollution would thus pay more, and “ecological space” would be priced for all nations rather than being freely plundered by a few.

This scheme poses two major problems. First, it demands an international consensus on total permissible emissions of greenhouse gases—a consensus that might be difficult to reach. Second, if the distribution of permits were based on income, the largest share would go to industrial countries. If it were based on population, most would go to developing countries—though this would be the most equitable system

since each person has an equal right to use the earth’s atmosphere. An intermediate solution would be to allocate half the permits on the basis of population and the other half on the basis of GNP.

The industrial countries are the largest polluters, so if they wished to continue emitting at current levels, and a population- and GNP-based distribution were introduced, they would have to buy most of the permits from the developing countries. This could lead to a very significant transfer of resources from the rich to the poor nations: some estimates suggest \$500 billion to \$1 trillion a year. Such flows would be neither aid nor charity. They would be the outcome of a free market mechanism that penalizes the richer nations’ overconsumption of the global commons.

The system would give all countries a strong incentive to reduce pollution—and generate funds that could be earmarked for environmental protection programmes in developing countries.

tural produce they export. Everyone will gain, too, if the spread of HIV/AIDS worldwide is slowed. This applies to both industrial and developing countries, but HIV/AIDS problems are likely to be greater in developing countries since they have fewer resources to control the epidemic.

The international community has a lot to gain by assisting in dealing with health threats in developing countries—investing money upstream rather than dealing with the consequences downstream. This is not to say that such threats come only from the South. They can come from anywhere. And countries that lack the means to combat them, but are nevertheless willing to take initiatives, act not only in their national interest—but in the global interest, too. They render a “global human security service”.

- *Controlling narcotics*—Developing countries are the source of most internationally traded narcotics (see box 2.5). But the trade is fuelled by consumption, not just production, and sellers in the industrial countries get a big chunk of the profits. Poor farmers in developing countries get only around 1% of the street price. It is thus unreasonable to expect developing countries to bear the entire cost of clamping down on production and export. So far, the industrial countries have contributed mainly to administrative control and crop substitution programmes in developing countries, measures that have had limited impact. Experience shows that curbing demand for narcotics is more important than curbing supply. Rather than scattered national plans, a truly global effort is needed.

One paradox of these contributions is that the international community ends up paying in any case—and it pays a lot more downstream than it would have paid upstream. That is why it is important for the international community to address such issues through compacts for global human security (box 4.5).

How much should the industrial countries pay for the services that developing countries render in controlling drug production and export? In theory, they should pay for the costs borne by the developing countries. But these costs are difficult to measure. Payments might be not only di-

BOX 4.5

Global human security compacts

The components of human security are indivisible. Famine, pollution, ethnic violence—their consequences can spread rapidly around the globe. Yet the responses to these problems are usually national.

The Social Summit offers an opportunity to deal with global issues globally—through a series of global compacts to tackle the most urgent threats to peace and human development. These threats include:

- Drug trafficking

- International terrorism
- Nuclear proliferation
- Communicable diseases
- Environmental pollution and degradation
- Natural disasters
- Ethnic conflicts
- Excessive international migration.

Separate compacts could be negotiated for each threat. Potential sources of finance for such compacts are indicated in the table below.

Financing a global human security fund (US\$ billions)

Source of finance	Total revenues (1995–2000)	Annual revenues
1. A proportion of the potential peace dividend (20% of the amount saved by industrial countries and 10% of that saved by developing countries through a 3% reduction in global military spending)	85	14
2. A 0.05% tax on speculative international capital movements	900	150
3. A global tax on the consumption of non-renewable energy (\$1 per barrel of oil and its equivalent in coal consumption)	395	66
4. One-third of existing ODA	120	20
Grand total	1,500	250

rectly programme-related but also include compensation for political risks taken by governments. In practice, a more pragmatic solution is simply for industrial countries to be generous in supporting programmes that are vital to global human security and development.

New funding sources

Changing the forms of development cooperation need not entail finding new funds—but it might.

- *Demilitarization funds*—These funds can be created from the cuts in military spending (chapter 3). And while a proportion will inevitably be taken up by the cost of conversion and the need to balance national budgets, many countries should also be able to earmark new funds for development cooperation.

- *Pollution taxes*—Tradable pollution permits, as suggested earlier, could also generate significant North-South financial flows and be an important source of development finance. Alternatively, a global tax of \$1 per barrel on oil consumption (and its equivalent on coal consumption) could be considered to discourage excessive and wasteful use of non-renewable energy.

- *Taxing global foreign exchange movements*—Many transactions in the foreign exchange markets are purely speculative, not for international trade. About \$1 trillion crosses international frontiers every 24 hours in response to the slightest tremor in interest or currency rates—or in anticipation of such changes. One way of dampening speculation would be to apply a tax (see special contribution by James Tobin, p. 70). Even a tax of 0.05% on the value of each transaction—Tobin suggests 0.5%—could raise around \$150 billion a year.

These promising sources could yield the resources to meet many global security needs. And the Social Summit might consider establishing a global human security fund along these lines (see box 4.5).

Restructuring aid

Even though development cooperation in the years ahead will have to be a much more

comprehensive concept, open to broader, more innovative approaches, aid will continue to be important. But it will have to be reassessed—with donors and recipients re-considering why aid should be given and what form it should take. The end of the cold war offers a rare opportunity to make a fresh start and to focus aid much more sharply on strengthening global human security.

A new motivation for aid

The motives for foreign aid programmes have been diverse—sometimes driven by idealism, generosity and international solidarity, but often also by political expediency, ideological confrontation and commercial self-interest.

It is no surprise that such varied motives and objectives have produced some unsatisfactory outcomes—leading to considerable disenchantment on both sides of the ledger, for donors and recipients.

Some critics argue that foreign aid has failed altogether and should be stopped. This argument is obviously incorrect. While some aid has been misspent, and some development has been misdirected, legitimate criticism should lead to improvement, not despair.

The development process—along with foreign assistance—has had more successes than its critics usually concede (box 4.6). A comparison of the performance of industrial and developing countries at similar stages of economic development shows that the developing countries have made more progress in the past 30 years than the industrial countries managed in about a century.

Foreign aid has played a big part in this progress. Development cooperation has enabled vital technologies—from new industrial processes to vaccines for children to hybrid seeds for the Green Revolution—to spread rapidly throughout the developing world.

True, some development models have been wrong, and some technology has been inappropriate or environmentally destructive. And the donors have on occasion placed harsh conditions on their aid or blatantly violated the national sovereignty of

A small tax on global foreign exchange movements could yield \$150 billion a year

recipients. But there can be little doubt that, without this transfer of financial resources, technology, expertise and equipment, development in the poorer nations would have been slower.

Aid is not a very popular theme in either donor or recipient countries. The public in donor countries is questioning aid even more persistently now that the industrial countries are experiencing recession and

SPECIAL CONTRIBUTION

A tax on international currency transactions

Capital moves ever more freely across national borders, both by direct business investments and by purchases and sales of financial assets. Capital movements certainly can benefit the nations directly involved and the world economy as a whole, by directing world savings to high-productivity projects, wherever they may be. Savers in a capital-intensive economy often find more profitable investment opportunities in capital-poor areas.

However, the capital flows needed to achieve efficient allocation of world savings are today a minuscule fraction of worldwide transactions in currency markets, which are estimated to run at \$1 trillion a day. Thanks to modern communications and computers, these deals are easy and cheap. The sun never sets on financial markets, from Hong Kong, to Frankfurt, to London, to New York, to Tokyo. Advanced industrial countries long ago abandoned exchange controls, and many developing countries are relaxing their regulations.

Here, as in so many other dimensions of human life on this globe, technologies have outrun political and social institutions. The bulk of those trillions of currency exchanges are speculations and arbitrages, seeking to make quick money on exchange rate fluctuations and on international interest rate differentials. They contribute little to rational long-term investment allocations. Exchange rates are at the mercy of the opinions of private speculators commanding vast sums. Their activities distort the signals exchange markets give for long-range investments and for trade. Interest rate arbitrages make it difficult for national central banks to follow monetary policies independent of those of major foreign central banks.

The mobility of financial capital across currencies is a problem whether exchange rates float freely in markets or are pegged by agreements among governments. The travails of the world economy since 1973 have inspired nostalgic longings for Bretton Woods, or for an older and purer gold standard. But no system in which parities can be adjusted on occasion eliminates opportunities for speculation or inhibitions on national monetary policies. But the recent crises of the European exchange rate mechanism demonstrated that neither individually nor collectively do central banks have sufficient reserves to withstand concerted pressures from speculators betting on the devaluation of weaker currencies.

A permanent single currency, as among the 50 states of the American union, would escape all this turbulence. The United States example shows that a currency union works to great advantage when sustained not only by centralized monetary authorities but also by other common institutions. In the absence

of such institutions, an irrevocably unique world currency is many decades off.

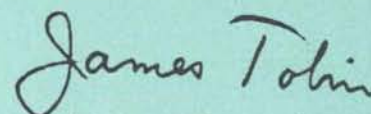
In 1978, I proposed a realistic second-best option. An international uniform tax would be levied on spot transactions in foreign exchange (including deliveries pursuant to futures contracts and options). The proposal has two basic motivations. One is to increase the weight market participants give to long-range fundamentals relative to immediate speculative opportunities. The second is to allow greater autonomy to national monetary policy, by making possible larger wedges between short interest rates in different currencies.

A 0.5% tax on foreign exchange transactions is equivalent to a 4% difference in annual interest rates on three-month bills, a considerable deterrent to persons contemplating a quick round-trip to another currency. The intent is to slow down speculative capital movements; it would be too small to deter commodity trade or serious international capital commitments. The revenue potential is immense, over \$1.5 trillion a year for the 0.5% tax.

J. M. Keynes in 1936 pointed out that a transaction tax could strengthen the weight of long-range fundamentals in stock-market pricing, as against speculators' guesses of the short-range behaviours of other speculators. The same is true of the foreign exchange markets.

The tax would have to be worldwide, at the same rate in all markets. Otherwise it could be evaded by executing transactions in jurisdictions with no tax or lower tax. Compliance would depend on the banking and market institutions where the vast bulk of currency exchanges take place. The transaction tax is designed to make international money markets compatible with modest national autonomy in monetary and macroeconomic policy. But it would certainly not permit governments and central banks to ignore the international repercussions of their policies. The G-7 would still need to coordinate policies, and their policies would still be powerful influences and constraints on other economies.

It is appropriate that the proceeds of an international tax be devoted to international purposes and be placed at the disposal of international institutions. This was my suggestion in 1978. Although raising revenues for international purposes was not the primary motivation of my proposal, it has been a major source of the recent upsurge of interest in it.



James Tobin, winner of the 1981 Nobel Prize for Economics

unemployment (box 4.7). Why, they wonder, should they continue to send aid abroad when there is clearly so much poverty at home?

It is sobering to point out how the cake is currently divided. At present, the industrial countries commit an average of 15% of their combined GNPs to providing social safety nets at home, but they allocate only 0.3% of their combined GNPs to foreign aid. And these sums have to cover very different population sizes. The social safety nets in the rich countries serve around 100 million people living below the poverty line (with an average income of less than \$5,000 a year). But the rich countries' aid to developing countries has to be shared among 1,300 million people living below the poverty line (with an average income of less than \$300 a year).

The impression nevertheless persists that foreign aid is a major diversion of resources. But if all foreign aid were stopped tomorrow, this would enable the industrial countries to increase their domestic social safety nets from an average of 15.0% of GNP to only 15.3% of GNP—hardly the handsomest bargain in history.

The end of the cold war offers an opportunity to discard the ideological baggage that previously encumbered official aid programmes and made it difficult even for non-governmental organizations (NGOs) and commentators who supported aid in principle to justify it in practice. Governments need to ensure that their aid meets specific development objectives and to take care that it is neither misspent nor misappropriated.

Once aid has been targeted properly, it is important that the real purpose of aid be communicated to the public in donor countries. A small proportion of aid—say 2%, or around \$1 billion a year—could be earmarked to cultivate public support through better communication of the objectives of aid, in particular, and of development cooperation, in general. The aim would not be to mislead or manipulate public opinion but to fulfil the duty of accountability. Bilateral donors could spend about half of these funds to reach their own people through the mass media (as the

BOX 4.6

Successes of foreign assistance

Foreign aid, often misdirected and misused, has its critics. But it also has many successes.

- *Food production*—Many developing countries have stepped up their food production through the Green Revolution, based on work on maize by US scientists in the 1930s. Plant geneticists extended their findings to wheat and maize in Mexico during the 1940s, and in two decades the country's wheat output tripled. Similarly important research was done at the International Rice Research Institute in the Philippines.

Since the 1960s, aid programmes have introduced the methods to many other countries. As a result, India has almost doubled its output and become self-sufficient in food. The Green Revolution in some cases worked against the interests of smaller farmers who could not afford the high-tech inputs—but it had a dramatic effect on overall production.

- *Infrastructure and communications*—Foreign aid has done much to establish physical infrastructure in developing countries. Loans and technical assistance have been crucial for the construction of roads, embankments and

power stations. South Asia's transport and communications systems were developed mainly through foreign aid, as were Africa's airports.

- *Health*—One of the greatest successes of foreign aid in the health field has been the eradication of smallpox. Endemic in 31 countries in 1967, it had disappeared permanently by 1977. Other major successes include the immunization of children against the commonest childhood diseases. Ten years ago, 75 million children contracted measles each year, and 2.5 million died. Today, thanks to improvements in health care and immunization, annual measles cases have been cut to 25 million, and deaths to just over one million.

- *Family planning*—Foreign assistance has also played a major part in population programmes. Bangladesh, with significant foreign funding and technical support, has been remarkably successful in family planning. Between 1970 and 1990, the share of women of reproductive age using contraceptives rose from 3% to 40%, and the fertility rate declined from seven children per woman to less than five.

BOX 4.7

Public opinions on aid

Despite nearly five decades of development assistance, opinion polls suggest that people in the donor countries know little about it.

Most people—around 70% of those polled—approve of aid. But they rarely are aware of how much their country is giving. A survey in the Netherlands found that half the respondents had no idea what the figure might be. And in Canada, people assumed that their country was giving ten times more than it really was. They also typically underestimated the proportion of aid given as loans rather than grants.

Most people see aid as helping the poor and mitigating the consequences of disasters. In a survey in the Netherlands in 1991, respondents identified the major problems they believed aid was combating: 20% said

starvation, 15% poverty, 14% overpopulation and 12% drought—while 11% felt aid should be used to improve economic management.

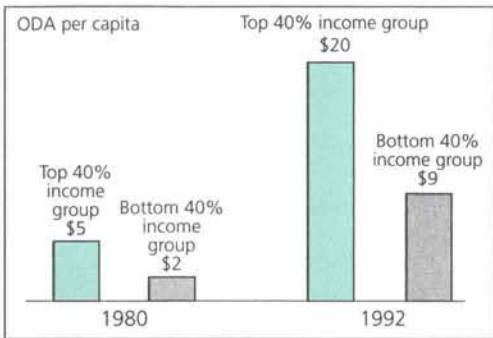
Since most people approve of aid, they do not want their country to be seen as a "bad donor", giving proportionately less than other countries. They also disapprove strongly of tied aid: a survey in Canada found that 70% of respondents considered this an immoral and exploitative practice.

One of the most significant findings was that people do not place aid very high on the list of national priorities. They may approve of it, but they do not pay much attention to it. The donor governments clearly have a lot of work ahead if they are to explain their aid programmes to their constituents.

FIGURE 4.7

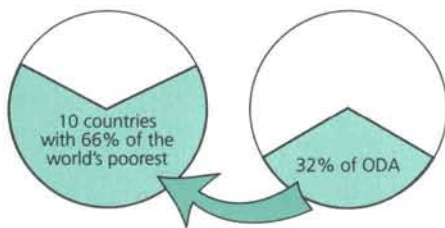
ODA distribution not linked to human development objectives

Those with higher incomes receive the most



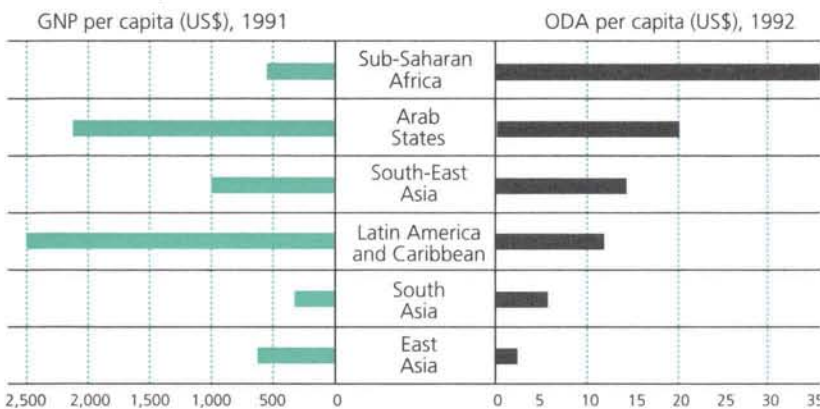
The top 40% income group now gets twice the assistance given to the poorest. In 1980, the ratio was 2.5 to one.

The poorest receive the least

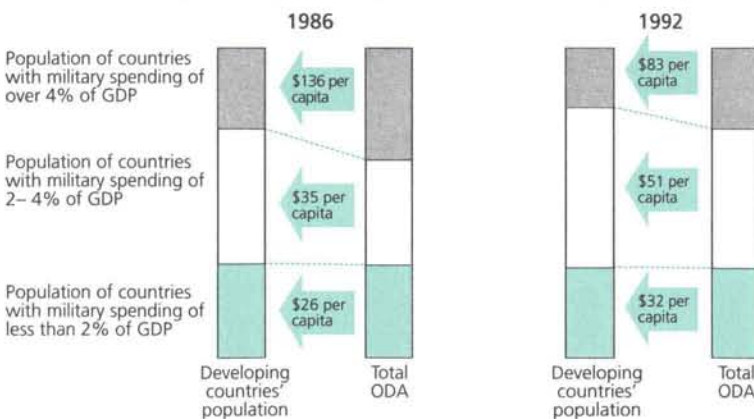


Two-thirds of the world's 1.3 billion poor live in ten countries that together receive less than a third of ODA.

The Arab States have more than six times the per capita income of South Asia, yet receive more ODA



Countries with high military spending are rewarded with high ODA payments



Netherlands does). The rest could be used to cultivate public support for multilateral assistance.

Aid fatigue has also been growing in the South. Those who have benefited most from aid have often been the elite in the urban areas and the richer peasants or landlords in the rural areas. Indeed, the poorest groups may sometimes suffer from aid programmes, as powerful local establishments pass on harsh aid conditionality and the burden of adjustment to politically weaker sections of society.

If aid is genuinely to benefit the poor, it will have to become much more participatory and people-centred. When there is an open public debate on aid, allowing people to decide whether their country needs aid and who should benefit, aid is likely to be more effective—and to help overcome disparities rather than reinforce them.

In general, aid programmes will have to become much more accountable to people in the South. Negotiation, planning and implementation should be much more open—enabling opposition groups, the media and other elements of civil society to insist on strict standards of accountability. Such transparency in aid negotiations is the best way to build public confidence.

Making aid serve specific objectives

Donor countries usually trot out a large number of objectives for aid. They believe, for example, that aid should help in reducing poverty, promoting human development, guaranteeing human rights, protecting the environment or improving national governance. But their programmes do not appear to be directly linked with these objectives. The main reason is that most aid allocations are country-focused rather than objective-focused—something clear from even a brief analysis of the record of development assistance.

- *Aid and poverty reduction*—Aid is not targeted at the poor. Donors send less than one-third of development assistance to the ten most populous countries, which are home to two-thirds of the world's poor (figure 4.7). As a result of these distortions, the richest 40% of the developing world re-

ceives twice as much aid per capita as the poorest 40%.

The contrasts among regions are even starker. The richer developing countries of the Middle East get \$21 per capita, compared with \$6 per capita for the poorer countries of South Asia. Egypt receives \$280 in aid per poor person, while Bangladesh gets \$19 and India only \$7. India has 27% of the world's absolute poor, but receives only 5% of ODA (table 4.2).

This misdirection afflicts both bilateral and multilateral assistance. The United States gives \$250 per capita to the high-income developing countries but only \$1 per capita to the low-income countries. Multilateral donors do slightly better. The International Development Association (the soft-loan affiliate of the World Bank) gives about half of its aid to the ten countries with the highest number of poor people (table 4.3)—but it still has to ration its aid to countries such as India and Pakistan, despite their great poverty and comparatively better economic performance.

- *Aid and priority human development*—Aid is not focused on the priority areas of human development. Bilateral donors direct only 7% of their aid to such priority areas as basic education, primary health care, rural water supplies, nutrition programmes and family planning services (table 4.4). The differences among donors are marked: for Denmark the proportion is 25%, while for Germany it is only 2%. Note, however, that these ratios leave out programme assistance and contributions

through multilateral agencies. The Development Assistance Committee of the OECD should present these flows in greater detail and analyse them more fully.

Multilateral institutions do somewhat better: they average around 16% (table 4.5). Again there is a spread, with the highest proportion for UNICEF, which has a specific mandate for development programmes for children. The agency with the lowest proportion is the African Development Bank. Although it serves the world's poorest region, it devotes only 4% of its aid to human development priorities.

The small allocations for priority areas partly reflect the low spending on the social sector in general. And even in the social sector, the higher-status programmes get preference. Urban water supply and sanitation gets preference over rural, which gets only about 20% of total aid expenditures on wa-

Aid is not focused on the priority areas of human development

TABLE 4.3
The World Bank and the poorest people, 1989/92
Ten developing countries with two-thirds of the world's poor^a

Total poor people in these countries (millions)	855
Poor in these countries as a % of total world poor	65.9
Bilateral ODA allocation to these countries as a % of total bilateral ODA	31.7
World Bank allocation to these countries as a % of total World Bank lending	43.9
IDA	51.9
IBRD	40.0

a. Bangladesh, Brazil, China, Ethiopia, India, Indonesia, Nigeria, Pakistan, Philippines, Viet Nam.

TABLE 4.2
ODA to the poorest

Ten developing countries with highest number of poor people	Percentage of population in poverty 1980-90	Number of poor (millions) 1992	Poor as % of total world poor 1992	ODA per poor person (US\$) 1992	ODA as % of total ODA 1992
India	40	350.0	26.9	7	5.2
China	9	105.0	8.1	28	6.5
Bangladesh	78	93.2	7.2	19	3.8
Brazil	47	72.4	5.6	3	0.5
Indonesia	25	47.8	3.7	44	4.6
Nigeria	40	46.4	3.6	7	0.5
Viet Nam	54	37.6	2.9	16	1.3
Philippines	54	35.2	2.7	49	3.8
Pakistan	28	35.0	2.7	33	2.6
Ethiopia	60	31.9	2.5	41	2.9
Total	29	854.5	65.9	17	31.7

Aid has often gone more to strategic allies than to poor nations

TABLE 4.4
Human priorities in bilateral aid allocations

Country	ODA (US\$ millions) 1992	ODA as % of GNP 1992	Aid social allocation ratio 1989/91	Aid social priority ratio 1989/91	Aid human expenditure ratio 1989/92	Percentage of aid for human priorities ^a 1989/91
Denmark	1,392	1.02	38.7	64.6	0.255	25.0
Norway	1,226	1.12	22.9	78.2	0.200	17.9
Switzerland	1,139	0.46	29.3	50.7	0.068	14.9
Netherlands	2,741	0.86	25.9	53.2	0.118	13.8
United States	10,815	0.18	19.5	58.2	0.020	11.3
Australia	969	0.36	32.0	32.9	0.038	10.5
Canada	2,515	0.46	20.3	44.4	0.042	9.0
Italy	4,122	0.34	21.9	38.6	0.029	8.5
Finland	644	0.62	26.2	32.2	0.052	8.4
Austria	530	0.29	24.3	28.4	0.020	6.9
United Kingdom	3,126	0.30	15.4	42.8	0.020	6.6
France	7,823	0.59	13.1	27.4	0.021	3.6
Japan	11,128	0.30	9.7	35.4	0.010	3.4
Sweden	2,452	1.03	5.7	51.2	0.030	2.9
Germany	6,952	0.36	7.9	42.5	0.012	2.1
Total (15 DAC countries)	57,574	0.32	16.1	43.8	0.023	7.0

a. Human priorities include basic education, primary health care, safe drinking water, adequate sanitation, family planning and nutrition programmes.

ter supply and sanitation. Higher education gets preference over primary education, which gets less than 20% of total aid expenditure on education. Urban hospitals get preference over primary health care, which gets less than 30% of total aid expenditure on health.

Both donors and recipients encourage these distortions. The donors want their assistance to coincide with their commercial interests, so they prefer to use it as a vehicle to deliver their own equipment and con-

sultants. For political reasons, they also want their aid to be highly visible, pushing them to focus more on the construction of buildings than on the recurrent spending needed to make good use of such buildings.

But the recipients must also share the blame (table 4.6). Having yet to recognize the importance of human development, many are tempted to undertake projects they believe will enhance their political prestige. They are particularly reluctant to budget adequate maintenance funds for running their social programmes.

- *Aid and military spending*—Aid has often gone more to strategic allies than to

TABLE 4.5
Human priorities in multilateral aid, 1989/91 (percent)

Agency	Aid social allocation ratio	Aid social priority ratio	ODA for human priorities ^a
UNICEF	91.3	85.2	77.8
IFAD ^b	16.8	100.0	16.8
IDB (including special funds)	22.5	72.9	16.4
IBRD/IDA	22.5	45.3	10.2
AsDB (including special funds)	31.6	30.7	9.7
AfDB/African Dev. Fund	20.7	20.0	4.1
Total	27.3	58.7	16.0

a. Human priorities include basic education, primary health care, safe drinking water, adequate sanitation, family planning and nutrition programmes.
b. 1988–89.

TABLE 4.6
Human priorities in bilateral aid expenditures

Country	Total ODA (US\$ millions) 1992	ODA as % of GNP 1992	Percentage of ODA for human priorities 1989/91
Malaysia	213	0.4	30.3
Lesotho	142	13.3	24.4
Uganda	718	22.6	20.9
Namibia	140	6.2	20.1
Burkina Faso	444	16.1	19.6
Bangladesh	1,728	6.6	13.5
Pakistan	1,169	2.3	9.7
India	2,354	0.8	5.2
Indonesia	2,080	1.8	2.9
China	2,945	0.7	2.4

poor nations. And while donors have recently expressed a welcome concern about military spending levels in developing countries, their aid allocations have yet to respond.

Until 1986, bilateral donors on average gave five times as much assistance per capita to high military spenders as they gave to low military spenders (see figure 4.7). And even in 1992, the high military spenders were still getting two and a half times as much per capita as the low military spenders.

El Salvador received 16 times more US aid per poor person than did Bangladesh, even though the GNP per capita of Bangladesh is only one-fifth that of El Salvador. And Israel, because of its special strategic alliance with the United States, continued to receive a hundred times more per poor person than Bangladesh although

it enjoyed a per capita income of over \$12,000 (table 4.7).

Multilateral institutions should have been free from cold war considerations. But since the same donors sat on their governing boards, many of the same influences prevailed. For example, recipient countries' military spending seemed to make little difference in the distribution of multilateral funds, such as the World Bank funds (table 4.8).

Some donors have protested that discriminating against high military spenders would have violated the recipients' national sovereignty—a strange argument, since donors have not been so bashful about violating national sovereignty in many other areas of government policy. They have required aid recipients to eliminate food subsidies, to devalue their currency, to privatize public enterprises and to show much greater respect for human rights.

This contrast was particularly noticeable during the structural adjustment period of the 1980s. Many donors were silent witnesses to severe cuts in social spending while military spending continued to rise. In Sub-Saharan Africa between 1960 and 1990, military spending increased from 0.7% of GNP to 3.0%. Developing countries were thus balancing their budgets by unbalancing human lives—not by cutting arms expenditures.

The major powers now seem to be taking a more active interest in disarmament, but with their arms industries attempting to

Many donors were silent witnesses to severe cuts in social spending while military spending continued to rise

TABLE 4.7
US ODA to selected strategic allies and to poor nations

Country	GNP per capita (US\$) 1991	US aid per poor person (US\$) 1990-91
<i>Strategic allies</i>		
Israel	12,110	176
El Salvador	1,090	28
Bolivia	650	26
Egypt	610	63
<i>Poor countries</i>		
Bangladesh	220	1.7
Madagascar	210	15.0
Tanzania	120	2.7
Mozambique	80	3.6

TABLE 4.8
World Bank lending to countries experiencing a major rise or fall in military spending

Country	Military expenditures as % of GDP		Average annual World Bank loans per capita (US\$)		Loans as % of total World Bank loans	
	1960	1990	1960s	1989-91	1960s	1989-91
<i>Major rise in military spending</i>						
Ethiopia	1.6	13.5	10.2	77.4	1.0	0.4
Tanzania	0.1	6.9	5.3	283.0	0.5	1.3
Zambia	1.1	3.2	5.7	92.7	0.5	0.4
Burkina Faso	0.6	2.8	0.1	68.2	0.0	0.3
<i>Major fall in military spending</i>						
Dominican Republic	5.0	0.8	0.0	41.3	0.0	0.2
Costa Rica	1.2	0.5	5.0	53.3	0.5	0.2

Note: IDA and IBRD commitments.

Technical cooperation programmes rarely have clear criteria

increase sales to developing countries, the effect so far has not been very marked.

- *Aid and human rights*—Many donors have suggested that aid recipients should be required to respect human rights and observe democratic processes. The United States, for example, adopted legislation for this purpose in the 1970s. And other donors—including Germany, Sweden and the Netherlands—have tried to link their assistance to the observance of human rights.

But rhetoric is running far ahead of reality, as a comparison of the per capita ODA received by democratic and authoritarian regimes shows. Indeed, for the United States in the 1980s, the relationship between aid and human rights violations has been perverse.

Multilateral donors also seem not to have been bothered by such considerations. They seem to prefer martial law regimes, quietly assuming that such regimes will promote political stability and improve economic management. After Bangladesh and the Philippines lifted martial law, their shares in the total loans given by the World Bank declined (table 4.9).

- *Aid and national capacity-building*—One central justification for aid is that in the long term it strengthens the capacity of developing countries—enabling them to stand on their own feet. Technical assistance was to be one of the most important instruments for this purpose.

In practice, the record of technical assistance has often been unsatisfactory. For one thing, its distribution has been skewed. The poorest countries, which have the lowest technical capacity, get an even smaller proportion of technical assistance (38% than of ODA as a whole (46%). And even

the assistance they receive seems to have built little national capacity. Sub-Saharan Africa has been receiving more than \$3 billion a year in technical assistance, yet its human development indicators remain among the lowest in the world.

Perhaps most disturbing is that, after 40 years, 90% of the \$12 billion a year in technical assistance is still spent on foreign expertise—despite the fact that national experts are now available in many fields.

Often poorly planned and monitored, technical cooperation programmes rarely have clear criteria for assessing the existing technical capacity of recipient countries or for measuring and monitoring additional capacity-building. Nor do they seem able to forecast when each country is expected to graduate from the need for technical assistance.

Technical assistance is clearly in need of reform, and the opportunities for such reform are discussed later in this chapter.

- *Aid and governance*—Donors have also expressed concern in recent years about the need for “good governance”—for democratic pluralism, for the rule of law, for a less regulated economy and for a clean and non-corrupt administration. In general, however, there seems to be little agreement among donors on what good governance entails—or on how it should be monitored or built into aid conditionality.

The donors have also argued for greater decentralization, but they rarely monitor how much of their aid goes through local or provincial governments or NGOs. If anything, as *Human Development Report 1993* concluded, the aid they give has increased centralization, not decreased it.

These are just a few of the goals donors have identified for their aid—goals that their actual programmes do not serve. There are many other objectives as well—perhaps too many. The environment, for example, has become a priority, yet here again there is an awkward gap between declared goals and implementation.

Developing countries protest—reasonably—that they are subject to a host of objectives interpreted differently by different donors and pursued with fitful resolve. Aid could be much more effective if it were fo-

TABLE 4.9
World Bank loans and democracy
(annual average, US\$ millions)

	1980–85	1986–93
Philippines		
IBRD	390	532
IDA	—	22
IBRD+IDA	390	554
Share in total IBRD + IDA loans (%)	2.9	2.6
Bangladesh		
IDA	397	213
Share in total IDA loans (%)	8.0	3.2

cused on a few clear global objectives, allocated on that basis and then carefully monitored to ensure a direct connection between intention and outcome.

If aid were directly linked to achieving certain human development priority objectives and emerging global human security threats, this would have a profound impact on its distribution. ODA allocations would be determined by how much each country could contribute towards meeting these objectives. Rather than being doled out to favourite clients, ODA would go where the need was greatest. It would become less a matter of charity and more an investment in global human security.

A compact for human development

One of the most important ways of linking aid to specific objectives is to negotiate a global compact for human development. In this compact, all nations would pledge to ensure that within, say, the next ten years, all their people are provided with at least the very basic human development needs. This would include such social services as primary education and primary health care. It would also give people equitable access to the assets—such as land and credit—needed to permit a decent standard of living. Achieving these objectives would probably require additional expenditure of \$30 to \$40 billion a year (box 4.8). Many countries can achieve these objectives using their own resources—often by restructuring their expenditure priorities. Others will need outside assistance.

One way to implement the global human development compact would be through a 20:20 formula. Experience shows that countries can achieve decent levels of human development if their governments allocate, on average, 20% of public spending to human development priorities.

Some poor countries may not, however, be able to afford this. And in some, poverty and deprivation may be so severe that governments would have to allocate more than 20% of their spending to achieve the human development targets.

Aid could help fill the gap, with donors allocating a significant share of their aid

budgets to human development priorities. Again, 20% would be an appropriate figure.

Developing countries devote on average only 13% of their national budgets (\$57 billion a year) to human development pri-

BOX 4.8

A 20:20 compact on human development

The global community has long hoped for the time when it could meet the basic needs of every human being. At times this has seemed an unrealistic goal, but it is now clear that it is financially feasible. And the Social Summit now presents the opportunity to turn this hope into reality.

The target over the next ten years should be that:

- Everyone has access to basic education.
- Everyone has access to primary health care, clean drinking water and sanitation.
- All children are immunized.
- Maternal mortality is halved.
- All willing couples have access to family planning services.
- Adult illiteracy is reduced to half the current figure. Female illiteracy is no higher than male illiteracy, and girls' education is on a par with that of boys.
- Severe malnutrition is eliminated, and moderate malnutrition halved.
- World population moves towards stabilization at 7.3 billion by 2015.
- Credit schemes are extended to the poor to enable them to seek self-employment and a sustainable livelihood.

Achieving these goals would require

additional spending on the order of \$30 to \$40 billion a year. This seems a sizeable amount, but it could be marshalled without having to find new money—merely by making better use of existing resources. Required is a 20:20 compact on human development—under which 20% of developing country budgets and 20% of industrial country aid are allocated to human priority expenditure.

For this compact, all countries would have to commit themselves to the following steps:

1. Drawing up national human development profiles—containing all the basic data and the benchmarks against which progress will be measured.
2. Establishing national human development priorities through a participatory national dialogue that includes all elements of civil society, and designing the strategies to achieve them.
3. Participating in annual reviews of the 20:20 compact—to be held as joint donor-recipient meetings on each country as well as annual reviews in the Economic and Social Council.

If the Social Summit were to agree on such a compact, it could give new hope to the majority of humankind.

BOX TABLE

Costing essential human development targets, 1995–2005

Sector	Specific targets	Approximate annual additional costs
Education	<ul style="list-style-type: none"> • Basic education for all and adult illiteracy reduced by 50%, with female illiteracy no higher than male 	\$5 to \$6 billion
Health	<ul style="list-style-type: none"> • Primary health care for all, including complete immunization of all children • Reduction of under-five mortality by one-half or to 70 per 1,000 live births, whichever is less • Elimination of severe malnutrition and a 50% reduction in moderate malnutrition 	\$5 to \$7 billion
Population	<ul style="list-style-type: none"> • Basic family planning package available to all willing couples 	\$10 to \$12 billion
Low-cost water supply and sanitation	<ul style="list-style-type: none"> • Universal access to safe drinking water 	\$10 to \$15 billion
Total for priority human agenda		\$30 to \$40 billion

The political, financial and humanitarian case for a 20:20 compact is strong

orities. But they have considerable scope for economies in many areas—military expenditure, loss-making public enterprises and wasteful prestige development projects. Diverting funds could raise the proportion of government budgets devoted to human development priorities to at least 20% (\$88 billion a year). Obviously, the restructuring would differ from one country to another.

Donor countries likewise have considerable scope for improvement. On average, they allocate only 7% of their aid to human priority concerns. The problem here is not so much the proportion of aid to the social sector (16% on average) as the distribution within the social sector. In education, less than 20% of the \$7 billion allocation goes to primary education. And for some countries, the proportion is particularly low: Germany 6%, Canada 4% and the United Kingdom 4%. Similarly, in water supply and sanitation, less than 20% of aid goes to the rural areas and very little to low-cost mass-coverage programmes. The situation is somewhat better in health—with about 30% for basic health facilities.

Donors thus have enormous scope for reallocating their aid. By earmarking more funds for the social sector and by concentrating more on priority areas, they should be able to lift the proportion going to human priority goals to 20%. Again, this is an average. Some donors have greater scope for restructuring than others.

The compact could thus be based on shared responsibility. Developing countries would allocate 20% of their budgets, and donors 20% of their aid, to human development priorities. This mutual 20:20 commitment would mean that three-fourths of extra funds would come from developing countries and one-fourth from the donors.

The political, financial and humanitarian case for such a compact is strong. It could ensure that within the next ten years every nation, poor and rich, would have reached a basic threshold of human development.

A global social safety net

Today, aid contributions are voluntary, and the aid burden is distributed randomly and

inequitably. Because the flows are subject to annual appropriations by national parliaments, they can be very unpredictable. Poverty and deprivation, by contrast, are more persistent and enduring.

Even if a 20:20 compact on human development could, within ten years, meet the most basic human needs, this would still leave much inequity and relative poverty. How can international development cooperation be better linked with poverty and deprivation? One way would be to establish a global social safety net.

The size of a global social safety net could be set in terms of essential consumption—perhaps a minimum of \$1 per person per day. Or it could be set in terms of certain public goods—such as health, education and nutrition.

However defined, the net would need to be sustained by adequate funding, with the exact contribution a matter of negotiation. But the principle should be that contributions are obligatory and follow a fixed formula so that annual flows are predictable.

One possibility would be to levy a world income tax of around 0.1% on the richest nations (those with a per capita GNP above \$10,000). This would yield around \$20 billion a year. The rate could be a uniform 0.1% or vary progressively with income per head.

The recipients would also be a clearly defined group of countries—those with a per capita GNP of less than \$2,000. Within this group, the basis for distribution could be twofold. First, allocations should be adjusted to the human development index of each country, with the lowest HDI countries making the fastest progress identified as deserving the greatest help. Second, allocations should be modified according to the recipient's spending on defence—to ensure that these fungible funds promote human development rather than merely permit greater arms expenditure. Allocations could, for example, vary inversely with the country's ratio of military to social spending.

The details of such a scheme could be a matter of international negotiation before and during the Social Summit. But the basic idea is to establish for the first time a firm

social safety net for the poorer nations. This global net should be on top of present ODA. If that is not possible, the first 0.1% of GNP should be earmarked from present ODA contributions for the social safety net—with the balance promoting specific global human security objectives.

Balancing emergency and development assistance

Although many long-term development needs are still unmet, there also seem to be a growing number of immediate emergencies that demand international support—partly because natural disasters have been increasing in number and in impact (see box 2.4). The global community, prompted by the communications media, now accepts a bigger responsibility to assist in such man-made disasters as wars and ethnic strife.

This peacekeeping is becoming expensive. The United Nations, in its first 48 years of existence, committed some \$4 billion to peacekeeping operations. It spent the same amount in 1993 alone. Meanwhile, development spending has remained stagnant—or even declined.

Since emergency aid is always more urgent and more easily negotiated with otherwise reluctant legislatures, it seems inevitable that it will continue to draw funds away from long-term development.

The crises may seem to arrive suddenly, but they are the outcome of years of failed development—of environmental degradation leading to a collapse of ecosystems, or of decades of autocratic rule leading to the collapse of the state. The response to such deep-seated problems cannot merely be emergency aid. The crises in Angola, Haiti, Mozambique, Somalia, Sudan, Central Asia or former Yugoslavia cannot be resolved by quick, intensive interventions. Military force can accomplish little on its own if there is no prospect of longer-term development.

By the same token, diverting aid from other parts of the developing world to countries in crisis merely stores up problems for the future—increasing the likelihood of more Somalias and more Yugoslavias in the years ahead.

The only solution is to review emergency aid and long-term development aid together. Today's allocations are based on the assumption that emergency aid tops up development aid. In some cases, this is true—as with the assistance to Pakistan to help with the influx of Afghan refugees. But in many other cases, it is not. Emergency assistance to Bosnia, Liberia and Somalia has had to deal with complete national breakdowns—where there is almost nothing to work with, nothing to build on. This is much more expensive and demands a new level of funding.

To meet current challenges adequately, the UN's emergency fund needs to be raised from its current \$50 million to something nearer \$5 billion. This would save development funds from raids in the name of emergency.

It is important, therefore, that this be new money rather than funds redirected from development aid. Where should it come from? One obvious source is the defence budgets of the industrial countries—a proposal the Secretary-General has already made in his *Agenda for Peace*. After all, if the United Nations becomes more involved in peacekeeping, it is taking on a role previously played by national armies. But there are also other potential sources apart from the peace dividend, such as a tax on arms trade.

A fundamental reform of technical assistance

The original objective of technical assistance was to close the “gap”, particularly the technical capacity gap, between industrial and developing countries—by accelerating the transfer of knowledge, skills and expertise and thus by building national capacity. In a few cases, it has done this. But as the foregoing analysis has shown, in many others, it has had precisely the opposite effect—reining in national capacity rather than unleashing it.

Are there any common factors in the successes? One seems to be that the best projects and programmes have involved well-defined and established technologies that have remained relatively free from

Emergency aid is beginning to draw funds away from long-term development

changes in developmental theory and fashion. These include civil aviation, meteorology, plant protection, various types of education (particularly vocational training) and the eradication of such diseases as malaria. A second common factor is allowing enough time to test alternative approaches—for research, for trial and error, for learning by doing. A third is fostering the participation of enough qualified national counterparts. And a fourth is creating a positive environment in the receiving country.

Many of these conditions have prevailed only at certain times, in certain places

and in certain fields. Some Asian countries—whose technical assistance peaked in the 1950s and 1960s—have benefited from better overall economic conditions and from the greater persistence and patience of donors.

On why so many other programmes have failed, there seems to be quite a long list of reasons (box 4.9). Of course, many of the same criticisms can also be applied to capital assistance.

How can technical assistance be improved—taking advantage of the successes of the past and avoiding the many known pitfalls?

One simple and direct solution would be to give the technical assistance funds directly to developing countries—and let them decide how to spend the money. Offering the resources as budgetary support would enable the receiving governments to employ national experts where available or international ones where not. This would have several advantages: the experts would be more appropriate to the country's real needs, and they would probably cost less since their salaries would be determined by international market forces rather than by living costs in the sending country. The result would be a more efficient, effective and equitable allocation of development funds.

Technical assistance could also be improved through regional development cooperation. This may even open up new funding sources and encourage self-financing. Such an approach is described in the proposal by Abdus Salam for an Islamic Science Foundation (special contribution, facing page).

New forms of data on development cooperation

One of the most significant obstacles to reforming development cooperation is the lack of appropriately organized information. It is easy enough to discern from existing data sources who is giving aid and who is receiving it—and the broad sectors to which it is allocated. But it is much more difficult to work out how the aid is being used and what objectives it is serving. It is

BOX 4.9

Why failed economists visit

In 1962, the British development economist Dudley Seers wrote an article on "why visiting economists fail" as advisers in developing countries. It is still worth reading. Among his reasons: incompetence in personal relations, getting into a muddle, taking on too much, finding it hard to cope with the ubiquitous xenophobia—and not knowing who not to be seen drinking with. In addition, there were difficulties in finding suitable counterparts, in assembling reliable statistical information and in often having to act as a psychotherapist rather than as an economist.

Seers was too gracious to mention some of the other failures of the visiting experts: being more interested in enjoying the sunshine, buying antiques, being treated as an important person or gathering material for a career-advancing publication than in doing something useful for the country.

Few experts have the characteristics that make a good adviser, and those who do are in great demand in their own countries. A companion piece to Seers's article might therefore be entitled "Why Failed Economists Visit". It could include other reasons for the failure of visiting economists—and the visits of failed economists.

- Technical assistance, unlike turnips, has no independent measure of its value to the recipient. Instead, output is measured by input: salaries or man-months—conveying a deceptive impression of achievement when nothing may have been achieved.
- Developing countries have a limited absorptive capacity, not just for capital

but also for technical assistance. Even if foreign experts are good at teaching skills to counterparts (and they usually are not), this is not enough. Unless attitudes and institutions are changed, the assistance "does not take". Without roots, cut flowers wither and die.

- Many UN agencies suffer from a technocratic bias: they believe in technical fixes without much regard for cultural and social factors—assuming, for example, that setting up a seed distribution system or a water supply project requires no knowledge of local patterns of personal relations.

- Technical assistance has not promoted greater self-reliance. Instead, indigenous institutions remain weak. Indeed, in the name of national capacity-building, much national expertise has been displaced.

- Technical assistance can be very costly: in 1989 in Sub-Saharan Africa alone, it cost \$3.3 billion—a quarter of the development assistance to the region. Yet Sub-Saharan Africa's human development indicators are the lowest in the world, questionable testimony to the effectiveness of national capacity-building.

- There is salary apartheid for similar expertise—with foreign experts sometimes getting several times as much as national experts.

- There has never been an explicit policy on when countries are ready to graduate from technical assistance. Perversely, the index of success is usually the arrival of ever-greater flows of technical assistance—which should instead be regarded as an index of failure.

also difficult to see how aid fits into the general picture of resource flows to and from countries. It would thus be very useful to have comprehensive, integrated country balance sheets of resource flows.

Reshaping aid so that it meets particular objectives will also require reshaping the presentation of data. The first step should be for the Development Assistance Committee of the OECD, and UNDP, to establish a system that itemizes bilateral and multilateral assistance according to commonly agreed national and global objectives (technical note 2). The OECD could do this from the point of view of donors, and UNDP could use its network of country of-

fices to provide reports from the point of view of recipients. Unless donors and recipients establish a clear link between aid and the objectives it is supposed to serve (and regularly monitor performance), the yawning gap between rhetoric and reality is likely to persist.

A new framework of global governance

A new design of development cooperation will be incomplete without a new institutional framework of global governance—one that defends the new frontiers of human security with more democratic partnerships between nations.

SPECIAL CONTRIBUTION

Proposal for an Islamic Science Foundation

No Muslim country possesses a high level of scientific and technological competence. While the world economy is getting more and more global, the gap between the industrial countries and the Muslim communities continues to widen, and scientific and technological advances remain confined to the rich countries of the North.

The Islamic countries could make a decisive breakthrough by creating an Islamic Science Foundation. The Foundation would be sponsored by Muslim countries and operate within them. It would be non-political, purely scientific and run by eminent people of science and technology from the Muslim World.

The Foundation would have two principal objectives. First, to build up high-level scientific institutions and personnel—strengthening existing communities of scientists and creating new ones where none currently exist. Second, to build up and strengthen international institutions for advanced scientific research, both pure and applied, relevant to the needs of Muslim countries, and with an emphasis on international standards of quality and attainment.

The Foundation would initially concentrate on five main areas:

- *High-level training*—Scholars would be sponsored abroad to acquire knowledge in areas where gaps exist in the Muslim countries. Some 3,000 would be supported annually with continued support for 1,000 after they return home—about 15% of the Foundation's budget.
- *Enhancing research quality*—Contracts will be awarded to university departments and research centres to strengthen their work in selected scientific fields—about 25% of the budget.
- *Contact with the world scientific community*—To promote the interchange of ideas and criticism on which science thrives, the Foundation will support 3,000 two-way visits of scholars and fellows, as well as the holding of international symposia and conferences—about 10% of the budget.

- *Sponsoring applied research*—To strengthen existing institutions and create new ones devoted to the problems of the Middle East and the Arab World—including health, technology, agriculture, environment and water resources—about 40% of the budget.

- *Popularizing science*—To help make the population of the Islamic countries more scientifically and technologically minded, by making use of the mass media, scientific museums, libraries and exhibitions. It would also help modernize science and technology syllabi, and award prizes for discoveries and inventions.

The Foundation would have its headquarters at the seat of the Islamic Conference and would be open to sponsorship by all its members. Its Board of Trustees would consist of representatives of governments, professors and scientists. It would also have an Executive Council of eminent scientists which would be free from political interference.

The Foundation would be a non-profit tax-free body, which as a non-governmental organization would build up links with the United Nations, UNESCO and the UN University system. It would have an endowment fund of at least \$5 billion and a projected annual income of \$300 to \$350 million. It is envisaged that the sponsoring countries would pledge the endowment fund as a fixed proportion of export earnings and provide it in four annual instalments.

Creating such a Foundation should be an urgent priority for the Muslim World. It would enable Muslim societies to recapture their glorious heritage of scientific pre-eminence and to compete as equals in the world of tomorrow.



Abdus Salam, winner of the 1979 Nobel Prize for Physics

The edifice of global governance was last rebuilt in the 1940s after the Second World War. With memories of the great depression

of the 1930s still fresh, the overarching principle was “never again”. Unemployment had been heavy—so the new objective was full employment. Trade and investment rules had broken down—so the new objective was to prevent beggar-thy-neighbour policies and to manage the world economy according to internationally agreed rules. The international monetary system had collapsed—so the new objective was to have stable currencies with agreed procedures for adjustment. Deflation had been prolonged—so the new objective was expansionary economic policies. Commodity prices had crashed—so the new objective was to maintain and stabilize commodity prices. Protectionism had been rising—so the new objective was to move towards liberal and agreed rules for expanding world trade, and to support countries that had balance of payments deficits.

On the political front, the 1930s had seen the withering away of the League of Nations—so the objective was to build a new and stronger organization, the United Nations, to provide the political and social security indispensable for an expanding world economy.

The international institutions that emerged in the 1940s were largely a reaction to the 1930s and partly the fruits of an inspired vision of the future.

The institutions of global governance created in the 1940s (UN, World Bank, IMF, GATT) have played a major role in the past five decades in keeping the world at peace and in accelerating global economic growth and trade liberalization. They certainly succeeded in avoiding any recurrence of the experience of the pre-1940s. No world war broke out. No worldwide depression occurred. But they were far less successful in narrowing world income disparities or in reducing global poverty. The role of the Bretton Woods institutions was undermined considerably after 1970 as global economic decision-making shifted either to smaller groups, such as the G-7, or to the workings of the international capital markets. The United Nations, for its part, started with enormous promise but was never allowed to play its role as the fourth pillar of development (box 4.10).

BOX 4.10

Does the United Nations work in the development field?

So much attention has focused on the weaknesses of the UN system that its successes are generally forgotten. While it is true that the development role of the United Nations has never been fully recognized or strengthened, UN agencies still have a number of notable achievements to their credit. To mention but a few:

WHO helped mobilize worldwide action for the eradication of smallpox. FAO created an early warning and monitoring network for food production. UNESCO has helped countries launch literacy campaigns and expand education. ILO, in the 1970s, launched the World Employment Programme and has since undertaken other pioneering work in the employment field. UNICEF has been very effective at promoting universal immunization and focusing world attention on the needs of children. UNFPA put the issue of balanced population growth on the world's agenda. And UNDP has been a respected partner of many developing countries because of its multidisciplinary and neutrality.

The smaller specialized agencies have also made significant contributions, if in a much quieter fashion. The International Telecommunication Union, the World Meteorological Organization, the International Civil Aviation Organization and the Universal Postal Union have not only helped regulate important aspects of international cooperation, they have also provided technical assistance to the poorer (or weaker) countries.

The United Nations Statistical Office and other specialized agencies have helped build many of the statistical systems used to track economic and social developments—including the standardized system of national accounts underlying the statistics on GNP, production, consumption, trade and transfers throughout the world.

Moreover, many important policy initiatives, even if subsequently implemented elsewhere, started within the United Nations:

- *The International Development Association*—The World Bank set up its soft-loan facility, IDA, in 1960 as a response to the proposal for a Special United Nations Fund for Economic Development (SUNFED).

- *The Compensatory Finance Facility*—The IMF created this facility in 1963 to finance export shortfalls in response to a proposal in 1962 by the UN Commission on International Commodity Trade.

- *Special Drawing Rights*—The IMF created SDRs following an UNCTAD report (the Hart-Kaldor-Tinbergen Report) that proposed the creation of a new form of international liquidity.

- *The Generalized System of Preferences*—This followed continuing pressure from the UN, especially UNCTAD, for developing countries to receive special consideration when the rules of a global trading system were being formulated.

- *Changes in policy dialogue*—Publications such as UNICEF's *Adjustment with a Human Face* and UNDP's *Human Development Reports* have had considerable influence on donors—including the Bretton Woods institutions.

Despite these successes, the inadequacies of the UN system have grown increasingly apparent.

A series of international conferences in the past three decades identified many of the priority needs—for children, women, population, food, nutrition, health, education, employment, human settlements, science and technology, environment and energy. The Alma Ata Conference on primary health care for all in 1978, the Jomtien Conference on basic education for all in 1990, the Children's Summit in 1990, the Earth Summit in 1992 and the Women's Conferences in 1975, 1980 and 1985 have been important milestones in identifying key human priorities. But followup has been weak, and the UN system has often failed to generate the focus, organization or resources needed to support accelerated international action. This needs to change in the future.

A major problem for the United Nations has been inadequacy of financial resources. To put it quite bluntly, many donors have always preferred the Bretton Woods system of one-dollar, one-vote over the one-country, one-vote system at the UN. So, they gave the UN far fewer resources than the Bretton Woods organizations, or the multilateral development banks or the bilateral agencies. This lack of resources reduced the UN's effectiveness—and in a vicious circle this became a further reason to deny it resources.

The need for strengthened institutions of global governance is much greater today than ever before. Markets have become globalized. Issues of prosperity, as well as of poverty, are linking the concerns of all people. Nation-states are weakening as decision-making becomes either local or global. In such a milieu, the long-term perspective for global governance needs to be re-examined.

New institutions for the 21st century

The imperatives of global human security and development in the 21st century will require a wave of creative innovations similar to that in the 1940s. At least three institutional changes are needed urgently:

- The design of a strengthened United Nations role in sustainable human development.
- The creation of an Economic Security Council to reflect a much broader concept of security.
- The restructuring and strengthening of the existing institutions for global economic management.

The only feasible strategy is to enlarge the scope of existing institutions—step by step—to cope with the challenges of the 21st century.

A United Nations human development umbrella

The new compulsions of human security demand a strong role from the United Nations in promoting sustainable human development. Some of the elements for such an effort are already in place. Others

can be developed in an agreed step-by-step approach. The final objective should be to enable the United Nations to serve the international community as its strongest human development pillar.

The following evolution may be necessary for this purpose:

- *A sustainable human development paradigm*—The concerned agencies of the UN need to identify common missions and complementary approaches to helping countries realize their sustainable human development goals. Stimulus will come from the Secretary-General's *Agenda for Development* and from other efforts under way to better define a common sense of purpose and unifying themes.

- *A coordinated effort by development funds*—The development funds of the UN (UNDP, UNICEF, UNFPA, IFAD, WFP) provide substantial resources to developing countries—about \$5 billion a year. The pooled resources of these UN funds are nearly as large as those of IDA (the soft-loan window of the World Bank). Moreover, these funds are providing grants, not credits, so that there is a substantial net transfer of resources to developing countries. These development funds are now discussing how best to strengthen their overall development effort and coordinate their assistance strategies, recognizing the need for a more integrated, effective and efficient UN development system. Much closer cooperation among the leadership of these institutions, both at headquarters and at the country level, as well as with the leadership of the Economic and Social Council, will be necessary in the days ahead.

- *Additional resources and responsibilities*—If additional resources are generated to support human development strategies—whether through the 20:20 compact or a global human security fund, as discussed earlier—a strengthened UN development system would be in an excellent position to manage and monitor these additional resources and to assume the new responsibilities for social development that could emerge from the Social Summit.

Some analysts have gone so far as to suggest the establishment of an integrated Human Development Agency. It would be

The United Nations must serve the international community as its strongest human development pillar

An Economic Security Council can provide the highest-level decision-making forum for global human security

far better, however, to take advantage of the relative strengths of each UN development fund—drawing on the large constituencies and complementary development mandates each has created over time—than to aim at an outright merger. More critical than any superficial administrative merger are a substantive merger of the development funds' policy frameworks and some restructuring and management reforms—as well as the overall umbrella of sustainable human development. But this consideration does place a major responsibility on all the existing UN development funds to get together on a common platform and a well-considered structure.

Economic Security Council

A further step in strengthening the UN role in sustainable human development would be the creation of an Economic Security Council—a decision-making forum at the highest level to review the threats to global human security and agree on required actions.

The council must be kept small and manageable. Its membership could consist of 11 permanent members from the main industrial and more populous developing countries. Another 11 members could be added on a rotating basis from various geographical and political constituencies.

An intermediate alternative would be to extend the mandate of the present Security Council so that it could consider not just military threats but also threats to peace from economic and social crises. For this purpose, it may be necessary to establish a separate entity within the council—one with an enlarged membership and a new role in socio-economic security.

Another possibility would be to use the Economic and Social Council—establishing within it a small and manageable executive board that could meet in permanent session and make decisions to be ratified later by the entire body.

The voting system in an Economic Security Council should not include a veto. But to reassure all constituencies that their legitimate interests would be protected, the voting system should be to have all deci-

sions ratified not just by a majority of all members but also by majorities of the industrial and the developing countries.

As well as coordinating the activities of the UN agencies, the Economic Security Council would act as a watchdog over the policy direction of all international and regional financial institutions. To implement its decisions effectively, the council should have access to the global human security fund proposed earlier. The council would need to be backed by a professional secretariat to prepare policy options for its consideration.

World Central Bank

A World Central Bank is essential for the 21st century—for sound macroeconomic management, for global financial stability and for assisting the economic expansion of the poorer nations. It would perform five functions:

- Help stabilize global economic activity.
- Act as a lender of last resort to financial institutions.
- Calm the financial markets when they become jittery or disorderly.
- Regulate financial institutions, particularly the deposit banks.
- Create and regulate new international liquidity.

The IMF was supposed to perform all these functions, but the industrial countries have been reluctant to give it the responsibility for them, weakening its role considerably over the past two decades.

It will take some time—and probably some international financial crisis—before a full-scale World Central Bank can be created. In the meantime, four steps could convert the IMF into an embryonic central bank.

1. A RENEWED ISSUE OF SPECIAL DRAWING RIGHTS. A new issue of SDRs by the IMF—in the range of 30 to 50 billion SDRs—could help fuel world recovery at a time when inflationary pressures are low, primary commodity prices are at rock bottom and most of the world is in the grip of deflationary policies.

This issue of SDRs would also help meet

the reserve requirements of poor countries. Today, 25 developing countries hold non-gold international resources equal to less than eight weeks of imports. An SDR allocation would enable them to increase their reserves without further borrowing or without adopting deflationary policies that would retard economic growth and impose unnecessary human costs.

There could also be some innovations in the distribution of SDRs. If they were initially allocated on the basis of IMF quotas, the poor countries would get less than they need for their reserve requirements, while the industrial countries would get more than they need. The industrial countries could thus pass on some of their allocation to developing countries through overdraft facilities.

The private sector should also be able to make use of SDRs. Commercial banks, for example, could deposit national currencies with their central banks and receive SDRs for use in international transactions.

2. AN EXPANDED COMPENSATORY AND CONTINGENCY FINANCIAL FACILITY. The CCFF needs to be changed—in three ways. First, there should be no quota restriction. At present, a country's access to the CCFF is limited to a percentage of its quota, so the country may not be able to get full compensation for a shortfall in exports. Second, the loan period needs to be extended so that countries do not have to repay before the contingency is over. Third, there should be no conditions attached to borrowing. If a country is suffering from external factors outside its control, it seems strange that it should be subjected to the additional burden of IMF conditionality.

3. GLOBAL MACROECONOMIC MANAGEMENT. An enhanced IMF should be central in global macroeconomic management—reviewing the policies of all countries, whether or not they are active borrowers. If major countries have unsustainable policies—such as high budget deficits or inappropriate interest rates—the IMF should request the Bank for International Settlements (BIS) to link the level of reserves that banks are required to hold

against loans to these countries to the IMF's evaluation. This would affect the industrial countries' ability to raise funds from private banks and give the IMF an important lever on their policies.

The IMF already has considerable leverage over developing countries through the conditions of its lending—but the form of conditionality should change. Rather than rely exclusively on short-run demand management and on deflationary policies in poor countries (where there is so little to deflate), it should place more emphasis on supply expansion to promote economic growth, employment and human development.

4. SUPERVISION OF INTERNATIONAL BANKING. In collaboration with the BIS, the IMF should acquire some regular control over international banking activities. Flows of capital sweep with hurricane force across international frontiers, sometimes creating havoc in international markets. Just as domestic capital markets are regulated, so there is a need for a minimum of regulation in international capital markets.

These four steps would not turn the IMF into a full-fledged World Central Bank, but they would help it to move in that direction. Given the needs of global governance for the 21st century, the Social Summit can provide a valuable service by inviting a serious debate on this issue.

International Investment Trust

As discussed earlier, private capital markets have become very active in recycling funds to emerging markets in developing countries. But most of these funds are going to a handful of creditworthy nations, particularly in East Asia and Latin America.

The World Bank is already playing a very useful role in helping developing countries obtain greater access to these market funds—particularly for countries that may not be able to get these funds on the basis of their own limited creditworthiness. The World Bank's intervention in the market helps the developing countries by raising funds on less expensive terms, by lengthen-

A World Central Bank is essential for the 21st century

Some creative new thinking is needed to recycle international surpluses to developing countries

ing maturities, by lending to social sectors that private markets might not touch otherwise (education, health, nutrition, family planning) and by combining the provision of funds with policy advice on macroeconomic management. But the total scale of the Bank's recycling is rather modest: in net terms, the resource transfers to developing countries are negative, at $-\$1$ to $-\$2$ billion a year.

In the face of declining resource transfers, some creative new thinking is needed to recycle international surpluses to developing countries. One possibility would be for the World Bank to take on the role of an International Investment Trust—selling bonds to nations with a surplus and lending the proceeds to developing countries.

Such bonds, to compete with those issued by governments, would have to be attractive. They could, for example, be guaranteed against currency fluctuations and perhaps indexed against inflation. Although the bonds might have a lower rate of return, they could be safer than government bonds, which carry no such guarantees.

Developing countries could borrow from the trust on terms appropriate to their level of development. The newly industrializing countries could pay commercial rates, while low-income countries would pay less—a subsidy that richer members of the international community would have to cover. If some of the proposals regarding international fees or taxes prove to be acceptable to the international community, a pool of resources will become available for such a subsidized recycling of market funds.

These innovations would also require more automatic replenishing of the World Bank's capital, and its capital-gearing ratio would have to increase to enable it to make loans equivalent to a higher proportion of its capital.

Since the evolution of an International Investment Trust would probably be a long process, it might be worthwhile in the meantime to consider establishing a new loan window at the World Bank. Today, developing countries taking World Bank loans fall into two categories: those developed enough to afford the stiff terms demanded

by the IBRD, and those poor enough to qualify for concessionary funds from IDA. But many countries, such as those in South Asia, are poised uncertainly between the two extremes. The World Bank has tried to cope with the limitations of its lending instruments by blending IBRD and IDA resources. But since IDA now represents only about 30% of total World Bank lending, this restricts such juggling.

A further limitation on both the IBRD and the IDA is the amount of funds available. The United States is the largest contributor to both—and so has the most votes. But it is not only reluctant to increase its own contribution—it is also unwilling to let other countries give more, since this would reduce US voting power. If not for this constraint, Japan, for example, might be able to contribute much more.

A solution to both problems would be to create a new loan window—an Intermediate Assistance Facility, with its own board of governors and a separate voting structure. It would be able to receive funds directly from donors and to lend to countries, such as India and Pakistan, that are ready to graduate from IDA terms but not yet sufficiently creditworthy to meet the hard terms of the IBRD. Borrowers could pay, say, two-thirds of the going interest rate over 25 years.

This facility would allow the World Bank to concentrate its IDA resources mainly on the long-term development of Africa—in a fashion similar to its focus on Asia for the first 25 years of the IDA's existence. The World Bank would then be able to concentrate IBRD funds on the most creditworthy of the newly industrializing countries, and thus protect the credit rating of IBRD bonds in the international capital markets.

World Trade Organization

One of the most important outcomes of the Uruguay Round of trade negotiations has been to transform GATT from a provisional agreement into a full institution—to be headed by a ministerial conference. This new World Trade Organization (WTO) will negotiate rules for international trade—to

level the playing field—and deal with legal aspects of dispute regulation.

A more systematic approach to the management of world trade is certainly welcome. But there still are many inequities to be addressed. Trade needs to be further liberalized in areas of primary interest to developing countries, such as labour services. And several fundamental issues have yet to be resolved, notably the need to promote environmentally sound trade without resorting to protectionism.

This new WTO should also have other responsibilities. It is, for example, one of the institutions that could help negotiate and implement the new types of development cooperation suggested earlier, such as compensation for damages and payment for services rendered.

And for the future, one could think of expanding a WTO into a WPTO—a world production and trade organization—to cover investment and technology transfers, too. A strong WTO could be of great benefit to developing countries. But a level playing field is of little use if one team is overwhelmingly stronger than the other. Developing countries will thus have to invest much more in their own national capacities if they are to compete internationally.

World Anti-Monopoly Authority

Transnational corporations (TNCs) control more than 70% of world trade and dominate the production, distribution and sale of many goods from developing countries, especially in the cereal and tobacco markets. An estimated 25% of world trade is conducted as intrafirm trade within TNCs.

These corporations thus have great power, which, if harnessed for sustainable human development, could be of great benefit. There is a growing consensus that governments and TNCs should work closely together to promote national and international economic welfare.

This concentration of power can also be damaging. To some extent, transnationals have escaped regulation by national authorities, and the speed and ease with which they can restructure their assets, relocate production, transfer their assets, transfer

technology and indulge in transfer pricing have become a matter of international concern. TNCs have also engaged in oligopolistic practices and shown insensitivity to environmental concerns (more than 50% of greenhouse gases are thought to be generated by their operations).

There is thus a strong case for some international supervision of TNCs. A useful starting point would be to complete the UN Code of Conduct for Transnationals, which after 20 years' work has now been negotiated. This could be followed by the creation within the UN of a World Anti-Monopoly Authority—to monitor observance of the new code and to ensure that TNCs do not resort to monopolistic and restrictive practices, particularly in their dealings with developing countries.

New institutions of a global civil society

The shape our societies take does not depend exclusively on governments. Individuals, families, community groups, international foundations, transnational corporations, the communications media—these and many others help mould civil society.

There also are thousands of non-governmental organizations operating nationally and internationally—monitoring human rights, organizing humanitarian aid and promoting the interests of such groups as women, the disabled or indigenous people. And new organizations emerge each year, often sprouting up spontaneously in response to felt needs and forming new alliances for change. They can powerfully influence government policy, as many women's organizations and environmental groups have demonstrated.

One of the more significant new international NGOs is the Earth Council, established in 1992 after the Earth Summit in Brazil, where nearly 10,000 NGOs played a very important part. The Earth Council will act as a global ombudsman on the issues of environment and development. It intends to issue an annual earth report to remind the global community of significant successes and failures in the field of sustainable development and to generate pressure for change in global policies.

The shape our societies take does not depend exclusively on governments

One significant gap in NGO activity at the national and international level has been in the area of corruption, which is spreading like a cancer all over the world—in government bureaucracies, among political leaders, in military procurement, in transnational corporations, in international banking. *Human Development Report 1992* proposed setting up Honesty International, similar to Amnesty International, to research and publicize cases of corruption. A new NGO, Transparency International, has since been set up on these lines, though it is too soon to judge how effective it is likely to be.

This chapter has included just a few of the institutions that the world is likely to need in the 21st century. Some people may consider them overly ambitious, but others may consider them timid. Jan Tinbergen, the first Nobel Prize winner in economics, believes that we need nothing less than a world government (special contribution, this page). This may appear to be totally utopian today. But he points out: "The idealists of today often turn out to be the realists of tomorrow."

A pragmatic approach would be to take some practical steps now and to initiate further reviews of some of the longer-term

SPECIAL CONTRIBUTION

Global governance for the 21st century

Mankind's problems can no longer be solved by national governments. What is needed is a World Government.

This can best be achieved by strengthening the United Nations system. In some cases, this would mean changing the role of UN agencies from advice-giving to implementation. Thus, the FAO would become the World Ministry of Agriculture, UNIDO would become the World Ministry of Industry, and the ILO the World Ministry of Social Affairs.

In other cases, completely new institutions would be needed. These could include, for example, a permanent World Police which would have the power to subpoena nations to appear before the International Court of Justice, or before other specially created courts. If nations do not abide by the Court's judgement, it should be possible to apply sanctions, both non-military and military.

Other institutions could include an Ocean Authority (based on the new Law of the Seas), and an analogous Outer Space Authority, to deal with matters such as outer space, aviation and information satellites.

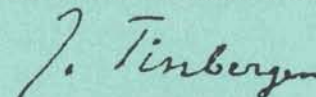
But some of the most important new institutions would be financial—a World Treasury and a World Central Bank. The World Treasury would serve as a world ministry of finance. Its main task would be to collect the resources needed by the other world ministries through one or more systems of global automatic taxation. If there were any delay in contributions from member governments, it would have to make funds available where they are most urgently needed. In addition, there should be a World Central Bank based on a reformed IMF to deal, among other things, with monetary, banking and stock exchange policies.

Just as each nation has a system of income redistribution, so there should be a corresponding "world financial policy" to be implemented by the World Bank and the World Central Bank. Redistribution is the core political issue of the 20th century.

Here it is useful to make a comparison with well-governed nations. The proportion of GDP distributed through social security benefits varies greatly from one country to another. It is typically lower in developing countries: 0.3% in Rwanda, 2.1% in Bangladesh, 2.3% in Bolivia. In industrial countries, it is generally higher but does vary considerably: 6.0% in Japan, 12.6% in the United States, 33.7% in Sweden. Two main factors explain the difference: the level of development and the sociopolitical policy of the country. The low level in developing countries reflects their underdeveloped condition and the fact that many are living in a feudal state: the rich are accustomed to ruling the people, and also feel poor in relation to the rich in the high-income countries. But this is no justification for the present callous neglect: there is a strong case for much more redistribution within developing countries.

But there should also be redistribution at the international level through development cooperation. How much should the industrial nations make available to the developing countries? In 1970, the UN General Assembly decided that 0.7% was needed. By 1991, the actual average for the OECD countries was only 0.33%. But the UN target figure is itself too low. In the 1970s and 1980s, the gap between the developing and industrial countries widened. To have prevented this would have required aid equivalent to 1.3% of GDP. As the world economy becomes increasingly integrated, so the redistribution of world income should become similar to that within well-governed nations.

Some of these proposals are, no doubt, far-fetched and beyond the horizon of today's political possibilities. But the idealists of today often turn out to be the realists of tomorrow.



Jan Tinbergen, winner of the 1969 Nobel Prize for Economics

measures. Thus, to help create a new framework for international development cooperation, the World Summit for Social Development might want to consider the following:

- Recommending the design of a 20:20 global human development compact.
- Recommending, furthermore, the design of global human security compacts to address the major challenges currently facing humankind.
- Endorsing the proposal for the creation of an Economic Security Council within

the United Nations.

- Urging the international community—beyond these measures—to undertake a comprehensive review of the existing framework of international development cooperation, and in this connection, to undertake studies on the practicability of such measures as establishing a global social safety net, introducing a world income tax and supporting the Tobin tax (on foreign exchange movements) as a potential source of financing for a more effective United Nations.



The human development index revisited

One way the HDI has been improved is through disaggregation

The first *Human Development Report* (1990) introduced a new way of measuring human development—by combining indicators of life expectancy, educational attainment and income into a composite human development index, the HDI (box 5.1). The Report acknowledged that no single index could ever completely capture such a complex concept. It acknowledged, too, that the HDI would remain subject to improvements, corrections and refinements—both as a result of a growing awareness of its deficiencies, and to accommodate criticisms and suggestions from academics and policy-makers. Also to be emphasized is that the HDI is not intended to replace the other detailed socio-economic indicators in this Report, for these are essential for a fuller understanding of individual countries.

One way the index has been improved is through disaggregation. A country's overall index can conceal the fact that different groups within the country have very different levels of human development—men and women, for example, or different ethnic groups, regions or social classes. The 1993 Report therefore constructed separate HDIs for different population groups in five countries.

This Report adds nine more countries. The results, discussed in greater detail later in this chapter, show how different population groups in the same country seem to be living in different worlds. They also show how powerful the disaggregated HDI can be for detecting societal strains and potential conflicts.

The 1993 Report identified the vast disparities between black and white communities in the United States. It also identified the disparities in Mexico between people in

the state of Chiapas and those in richer parts of the country—a year ahead of the political upheaval there.

Another way of highlighting national disparities and comparing them across countries is by reducing the country's overall HDI in proportion to its internal disparities. Since 1991, these Reports have offered two disparity-adjusted HDIs—one for gender, one for income distribution—the construction of which is discussed below. These HDIs illustrate how socio-economic disparities diminish the overall human development record of some countries.

In the income-distribution-adjusted HDI, more egalitarian countries, such as the Nordic countries, rise in the rankings, while others fall—notably Brazil, with its unequal income distribution. In the gender-disparity-adjusted HDI, the Nordic countries again improve their position, while Japan, where women earn much less than men, slips in the ranking.

A further possibility for adjusting the HDI would be to reflect a country's environmental performance. Exploratory work has shown that, for the time being, there does not seem to be sufficient agreement on which indicators would be appropriate or how this might be done. Work will therefore continue in this area.

Modifications to the basic HDI

In addition to the two “adjusted” HDIs, there have been modifications to components of the basic index—specifically, the indicators of educational attainment and of income.

Educational attainment was originally measured only through the adult literacy

rate, but the 1991 Report broadened this measure to incorporate mean years of schooling.

For income, the HDI starts from the premise that a \$300 increase in per capita income clearly makes a significant difference in a country where the average is currently \$600—but that it will matter much less in a country where it is \$20,000. The HDI originally used a threshold value beyond which the marginal increase in income was considered less significant and was therefore heavily discounted. Until 1993, this threshold was derived from the poverty-level income of the industrial countries in the Luxembourg Income Study, with values updated and translated into purchasing power parity dollars (PPP\$).

It was always questionable, however, whether the poverty level of industrial countries was an appropriate income target for developing countries. So, for the 1994 HDI, the threshold value has been taken to be the current average global value of real GDP per capita in PPP\$. Once a country gets beyond the world average, any further increases in per capita income are considered to make a sharply diminishing marginal contribution to human development.

The HDI emphasizes sufficiency rather than satiety. On the new basis of real GDP per capita, the threshold is \$5,120. The method of discounting remains the same, however: the discount rate increases as incomes exceed higher multiples of the threshold. In 1994, after appropriate discounting, the incomes of countries range from \$370 to \$5,371 in real purchasing power (PPP\$).

One innovative feature of the HDI is the way its components are combined. Each indicator is measured in different units: life expectancy in years of life, schooling in mean years of schooling, income in purchasing-power-adjusted dollars and adult literacy as a percentage. To combine these indicators, the range of values for each one is put onto a scale of 0 to 1, where 0 is the minimum and 1 is the maximum. So, if the minimum life expectancy is 25 years and the maximum is 85 years, and the actual value for a country is halfway between the two at

55 years, its index value for life expectancy is 0.5.

In previous years, the minimum value of each dimension—longevity, educational attainment and income—was set at the level of the poorest-performing country, and the maximum at that of the best-performing country. The HDI for any country was thus its position between the best and the worst countries, but maximums and minimums changed each year—following the perfor-

A primer on the human development index

BOX 5.1

Why do we need a human development index?

Because national progress tends otherwise to be measured by GNP alone, many people have looked for a better, more comprehensive socio-economic measure. The human development index is a contribution to this search.

What does the HDI include?

The HDI is a composite of three basic components of human development: longevity, knowledge and standard of living. *Longevity* is measured by life expectancy. *Knowledge* is measured by a combination of adult literacy (two-thirds weight) and mean years of schooling (one-third weight). *Standard of living* is measured by purchasing power, based on real GDP per capita adjusted for the local cost of living (purchasing power parity, or PPP).

Why only three components?

The ideal would be to reflect all aspects of human experience. The lack of data imposes some limits on this, and more indicators could perhaps be added as the information becomes available. But more indicators would not necessarily be better. Some might overlap with existing indicators: infant mortality, for example, is already reflected in life expectancy. And adding more variables could confuse the picture and detract from the main trends.

How to combine indicators measured in different units?

The measuring rod for GNP is money. The breakthrough for the HDI, however, was to find a common measuring rod for the socio-economic distance travelled. The HDI sets a minimum and a

maximum for each dimension and then shows where each country stands in relation to these scales—expressed as a value between 0 and 1. So, since the minimum adult literacy rate is 0% and the maximum is 100%, the literacy component of knowledge for a country where the literacy rate is 75% would be 0.75. Similarly, the minimum for life expectancy is 25 years and the maximum 85 years, so the longevity component for a country where life expectancy is 55 years would be 0.5. For income the minimum is \$200 (PPP) and the maximum is \$40,000 (PPP). Income above the average world income is adjusted using a progressively higher discount rate. The scores for the three dimensions are then averaged in an overall index.

Is it not misleading to talk of a single HDI for a country with great inequality?

National averages can conceal much. The best solution would be to create separate HDIs for the most significant groups: by gender, for example, or by income group, geographical region, race or ethnic group. Separate HDIs would reveal a more detailed profile of human deprivation in each country, and disaggregated HDIs are already being attempted for countries with sufficient data.

How can the HDI be used?

The HDI offers an alternative to GNP for measuring the relative socio-economic progress of nations. It enables people and their governments to evaluate progress over time—and to determine priorities for policy intervention. It also permits instructive comparisons of the experiences in different countries.

From now on, the HDI value will permit more meaningful comparisons across countries and over time

mance of the countries at the extreme ends of the scale.

This scaling could produce a frustrating outcome, since a country might improve its performance on life expectancy or educational attainment but see its HDI score fall because the top or bottom countries had done even better—in effect, moving the goal posts. Some efforts were made to change this by using the maximum and minimum for a longer period, say 1960–90, but this did not overcome the original objection.

The main problem with shifting the goal posts annually is that it precludes meaningful comparisons over time: a country's HDI could change from year to year for reasons that have nothing to do with its performance. So, this year, we fix "normative" values for life expectancy, adult literacy, mean years of schooling and income. These minimums and maximums are not the observed values in the best- or worst-performing countries today but the most extreme values observed or expected over a long period (say, 60 years).

The minimums are those observed historically, going back about 30 years. The maximums are the limits of what can be envisioned in the next 30 years. Demographic and medical information suggests that the maximum average life expectancy for the foreseeable future is 85 years. Similarly, recent economic growth rates indicate that the maximum income that the richest countries are likely to achieve by 2020 is \$40,000 (in 1990 PPP\$).

With the new fixed goal posts (table 5.1), the greatest differences from previous values are in the much lower minimums for life expectancy (25 years rather than 42 years) and for literacy rates (0% rather than 12%) and in the higher maximums for life expectancy (85 years rather than 78.6 years) and mean years of schooling (15 years rather than 12.3 years).

From now on, therefore, the HDI value will permit more meaningful comparisons across countries and over time. Using the new maximums and minimums, and recalculating the HDIs for previous years accordingly, it will be legitimate to suggest, for example, that the Republic of Korea's cur-

rent level of human development is similar to that of the United Kingdom 30 years ago. And it can now be asserted that while there were 16 countries in the high human development category in 1960, among the countries for which it was possible to make a comparison over time, there were 40 in 1992.

In addition to the methodological changes, there has been a major change in one of the sources of data—that for income. The HDI uses the GNP per capita based on purchasing power parity (PPP\$) to reflect not just income but also what that income can buy. Housing and food are cheaper in Bangladesh than in Switzerland, so a dollar is worth more in Bangladesh than in Switzerland. Purchasing power parity adjusts for this.

Until this year, the main source of PPP data has been the Penn World Tables. For the 1994 HDI, however, we are replacing these data, where feasible, with estimates from the World Bank. Most of the large increases in estimates are in developing countries, notably in Latin America, and most of the large decreases are in the successor states of the former Soviet Union.

Despite these changes, the underlying principle of the HDI remains the same. It is based on a country's position in relation to a final target—expressed as a value between 0 and 1. Countries with an HDI below 0.5 are considered to have a low level of human development, those between 0.5 and 0.8 a medium level and those above 0.8 a high level.

We have been modifying the HDI in response to constructive reviews and criticisms to make the index a steadily more valuable measure of human progress. Following this year's changes, we do not propose any major modifications to the basic method in the near future—though next

TABLE 5.1
Fixed maximums and minimums for HDI values

	Minimum	Maximum
Life expectancy (years)	25	85
Adult literacy (%)	0	100
Mean years of schooling	0	15
Income (real GDP per capita in PPP\$)	200	40,000

year's Report will review the gender-disparity-adjusted HDI in preparation for the Fourth World Conference on Women in Beijing in 1995.

A priority in the years ahead must be to improve human development statistics—at country, regional and international levels. The statistical map of human development still has far too many blanks. Too many in-

dicators are missing. Too much information is outdated. And too many statistics are not collected or analysed separately for different population groups—for men and women, for urban and rural, for rich and poor (particularly the growing populations of urban poor) or for different races or ethnic groups.

To encourage the collection and analysis of comprehensive statistics, governments could undertake to prepare human development country profiles—annually or every other year. They already collect information regularly on trade and finance. Why should they not do so for human development? The Social Summit could perhaps agree that all countries should produce such profiles and use them to formulate policy and to monitor social programmes.

A priority in the years ahead must be to improve human development statistics

TABLE 5.2
HDI ranking for industrial countries

	HDI value	HDI rank	GNP per capita rank	GNP per capita rank minus HDI rank ^a
Canada	0.932	1	11	10
Switzerland	0.931	2	1	-1
Japan	0.929	3	3	0
Sweden	0.928	4	4	0
Norway	0.928	5	5	0
France	0.927	6	13	7
Australia	0.926	7	18	11
USA	0.925	8	9	1
Netherlands	0.923	9	16	7
United Kingdom	0.919	10	19	9
Germany	0.918	11	12	1
Austria	0.917	12	14	2
Belgium	0.916	13	15	2
Iceland	0.914	14	8	-6
Denmark	0.912	15	7	-8
Finland	0.911	16	6	-10
Luxembourg	0.908	17	2	-15
New Zealand	0.907	18	24	6
Israel	0.900	19	25	6
Ireland	0.892	21	27	6
Italy	0.891	22	17	-5
Spain	0.888	23	23	0
Greece	0.874	25	35	10
Czechoslovakia	0.872	27	56	29
Hungary	0.863	31	55	24
Malta	0.843	41	32	-9
Portugal	0.838	42	38	-4
Bulgaria	0.815	48	76	28
Poland	0.815	49	79	30
Romania	0.729	72	89	17
Albania	0.714	76	86	10
<i>Successor states of the former Soviet Union</i>				
Lithuania	0.868	28	63	35
Estonia	0.867	29	43	14
Latvia	0.865	30	47	17
Russian Fed.	0.858	34	48	14
Belarus	0.847	40	49	9
Ukraine	0.823	45	68	23
Armenia	0.801	53	73	20
Kazakhstan	0.774	61	71	10
Georgia	0.747	66	80	14
Azerbaijan	0.730	71	92	21
Moldova, Rep. of	0.714	75	81	6
Turkmenistan	0.697	80	88	8
Kyrgyzstan	0.689	82	95	13
Uzbekistan	0.664	91	104	13
Tajikistan	0.629	97	116	19

a. A positive figure shows that the HDI rank is better than the GNP per capita rank, a negative the opposite.

What the 1994 HDI reveals

Some of the most significant changes in the HDI estimates arise from the new fixed goal posts (tables 5.2 and 5.3). Since the maximum values have increased, they are now beyond the levels already attained by the industrial countries. This change tends to reduce each country's HDI value: in 1993, the value for the top-ranked country was 0.983, but now it is only 0.932—even the richest countries still have a fair distance to travel. Yet the minimums are also lower, which tends to increase all HDI values, particularly those of countries in the bottom category. In 1993, 62 countries were classified as having low human development, but in 1994 there are only 55.

In 1994, Canada has returned to the top of the human development index (it was also on top in 1992). Switzerland has moved up to second place, from fourth in 1993. And Japan, which occupied the top spot in 1990, 1991 and 1993, is now in third place. Among the developing countries, there is no change either at the top (Barbados) or at the bottom (Guinea).

This year's HDI rankings underline some of the messages from previous years, with the relationship between the HDI and GNP per capita the most significant one. Although there is some correlation between the two (richer countries usually have

TABLE 5.3
HDI ranking for developing countries

	HDI value	HDI rank	GNP per capita rank	GNP per capita rank minus HDI rank ^a		HDI value	HDI rank	GNP per capita rank	GNP per capita rank minus HDI rank ^a
Barbados	0.894	20	34	14	Morocco	0.549	111	101	-10
Hong Kong	0.875	24	22	-2	El Salvador	0.543	112	97	-15
Cyprus	0.873	26	30	4	Bolivia	0.530	113	119	6
Korea, Rep. of	0.859	32	36	4	Gabon	0.525	114	42	-72
Uruguay	0.859	33	53	20	Honduras	0.524	115	123	8
Trinidad and Tobago	0.855	35	46	11	Viet Nam	0.514	116	150	34
Bahamas	0.854	36	26	-10	Swaziland	0.513	117	96	-21
Argentina	0.853	37	43	6	Maldives	0.511	118	132	14
Chile	0.848	38	66	28	Vanuatu	0.489	119	93	-26
Costa Rica	0.848	39	75	36	Lesotho	0.476	120	124	4
Singapore	0.836	43	21	-22	Zimbabwe	0.474	121	118	-3
Brunei Darussalam	0.829	44	29	-15	Cape Verde	0.474	122	112	-10
Venezuela	0.820	46	55	9	Congo	0.461	123	100	-23
Panama	0.816	47	70	23	Cameroon	0.447	124	111	-13
Colombia	0.813	50	91	41	Kenya	0.434	125	146	21
Kuwait	0.809	51	28	-23	Solomon Islands	0.434	126	115	-11
Mexico	0.804	52	51	-1	Namibia	0.425	127	84	-43
Thailand	0.798	54	82	28	São Tomé and Príncipe	0.409	128	138	10
Antigua and Barbuda	0.796	55	40	-15	Papua New Guinea	0.408	129	108	-21
Qatar	0.795	56	20	-36	Myanmar	0.406	130	149	19
Malaysia	0.794	57	61	4	Madagascar	0.396	131	162	31
Bahrain	0.791	58	33	-25	Pakistan	0.393	132	140	8
Fiji	0.787	59	74	15	Lao People's Dem. Rep.	0.385	133	157	24
Mauritius	0.778	60	65	5	Ghana	0.382	134	133	-1
United Arab Emirates	0.771	62	10	-52	India	0.382	135	147	12
Brazil	0.756	63	52	-11	Côte d'Ivoire	0.370	136	117	-19
Dominica	0.749	64	62	-2	Haiti	0.354	137	141	4
Jamaica	0.749	65	87	22	Zambia	0.352	138	134	-4
Saudi Arabia	0.742	67	31	-36	Nigeria	0.348	139	145	6
Turkey	0.739	68	78	10	Zaire	0.341	140	160	20
Saint Vincent	0.732	69	77	8	Comoros	0.331	141	131	-10
Saint Kitts and Nevis	0.730	70	47	-23	Yemen	0.323	142	126	-16
Syrian Arab Rep.	0.727	73	94	21	Senegal	0.322	143	114	-29
Ecuador	0.718	74	102	28	Liberia	0.317	144	130	-14
Saint Lucia	0.709	77	57	-20	Togo	0.311	145	136	-9
Grenada	0.707	78	67	-11	Bangladesh	0.309	146	159	13
Libyan Arab Jamahiriya	0.703	79	41	-38	Cambodia	0.307	147	164	17
Tunisia	0.690	81	85	4	Tanzania, U. Rep. of	0.306	148	170	22
Seychelles	0.685	83	39	-44	Nepal	0.289	149	166	17
Paraguay	0.679	84	90	6	Equatorial Guinea	0.276	150	154	4
Suriname	0.677	85	48	-37	Sudan	0.276	151	137	-14
Iran, Islamic Rep. of	0.672	86	64	-22	Burundi	0.276	152	158	6
Botswana	0.670	87	58	-29	Rwanda	0.274	153	152	-1
Belize	0.666	88	69	-19	Uganda	0.272	154	168	14
Cuba	0.666	89	110	21	Angola	0.271	155	120	-35
Sri Lanka	0.665	90	128	38	Benin	0.261	156	142	-14
Oman	0.654	92	38	-54	Malawi	0.260	157	156	-1
South Africa	0.650	93	60	-33	Mauritania	0.254	158	127	-31
China	0.644	94	143	49	Mozambique	0.252	159	173	14
Peru	0.642	95	98	3	Central African Rep.	0.249	160	135	-25
Dominican Rep.	0.638	96	107	11	Ethiopia	0.249	161	171	10
Jordan	0.628	98	99	1	Bhutan	0.247	162	165	3
Philippines	0.621	99	113	14	Djibouti	0.226	163	125	-38
Iraq	0.614	100	59	-41	Guinea-Bissau	0.224	164	167	3
Korea, Dem. Rep. of	0.609	101	109	8	Somalia	0.217	165	172	7
Mongolia	0.607	102	103	1	Gambia	0.215	166	144	-22
Lebanon	0.600	103	83	-20	Mali	0.214	167	155	-12
Samoa	0.596	104	105	1	Chad	0.212	168	161	-7
Indonesia	0.586	105	121	16	Niger	0.209	169	148	-21
Nicaragua	0.583	106	139	33	Sierra Leone	0.209	170	163	-7
Guyana	0.580	107	151	44	Afghanistan	0.208	171	169	-2
Guatemala	0.564	108	106	-2	Burkina Faso	0.203	172	153	-19
Algeria	0.553	109	72	-37	Guinea	0.191	173	129	-44
Egypt	0.551	110	122	12					

a. A positive figure shows that the HDI rank is better than the GNP per capita rank, a negative the opposite.

higher HDIs), it clearly breaks down in many cases.

For some countries—such as Angola, Gabon, Guinea, Namibia, Saudi Arabia and the United Arab Emirates—the income rank is far ahead of the HDI rank, showing that they still have considerable potential for translating their income into improved well-being for their people.

For other countries—such as China, Colombia, Costa Rica, Cuba, Guyana, Madagascar and Sri Lanka—the HDI rank is far ahead of their income rank, showing that they have made more judicious use of their income to improve the capabilities of their people. The highest positive difference between HDI and GNP ranks is for China (+49 places), and the highest negative difference is for Gabon (–72 places)—a striking demonstration of the differences between two development strategies.

Many countries in Latin America and East Asia and among the Arab States have already moved beyond the basic threshold of human development and are now in the medium or high HDI categories. Most countries in Sub-Saharan Africa and South Asia, by contrast, are still classified as having low human development.

As discussed earlier, the HDI is a composite score of three indicators. So, even countries with a high HDI may have a low score on one indicator, which is offset by a high score on another. Among the industrial countries, for example, Switzerland ranks number 2 on the HDI but only 21 when it comes to tertiary enrolment. Similarly, among the developing countries, the Republic of Korea ranks number 4 on the HDI but only 18 when it comes to life expectancy (annex tables 5.1 and 5.2). Careful analysis of the tables will show where improvements are still necessary and achievable.

Changes in the HDI over time

The main advantage in fixing the goal posts is that it permits comparisons of the HDI over time—though, because of data limitations, this can be done for only 114 countries for 1960–92 (annex table 5.3).

The comparisons reveal interesting trends. All countries have made substantial progress in human development. Between 1960 and 1992, the overall HDI for the developing countries increased from 0.260 to 0.541—more than doubling. Even the least developed countries, and those in Sub-Saharan Africa, made clear progress. True, they started from very low levels, but they managed as a group to increase their HDI values by around 80%.

Many countries have shifted into higher human development categories: 30 countries have moved from low to medium, 20 from medium to high, and four all the way from low to high. The number of countries in the low group has shrunk from 76 to 42, while that in the medium category has increased from 22 to 32 and that in the high category from 16 to 40 (table 5.4 and figures 5.1 and 5.2).

In East Asia, the region with the largest absolute increase in HDI, the HDI value increased two and half times between 1960 and 1992—from 0.255 to 0.653 (table 5.5). This shows that the fast pace of economic

FIGURE 5.1
The majority of the world's people have shifted from low to medium and high human development

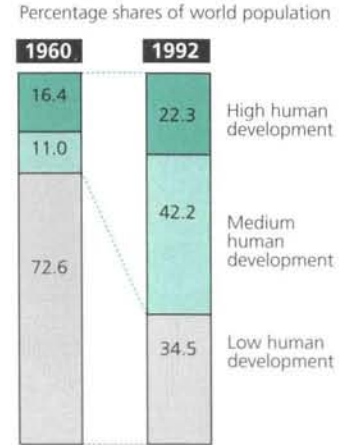


TABLE 5.4
Distribution of countries by human development group, 1960–92

	1960	1970	1980	1992
High human development	16	23	30	40
Medium human development	22	26	28	32
Low human development	76	65	56	42
Total	114	114	114	114

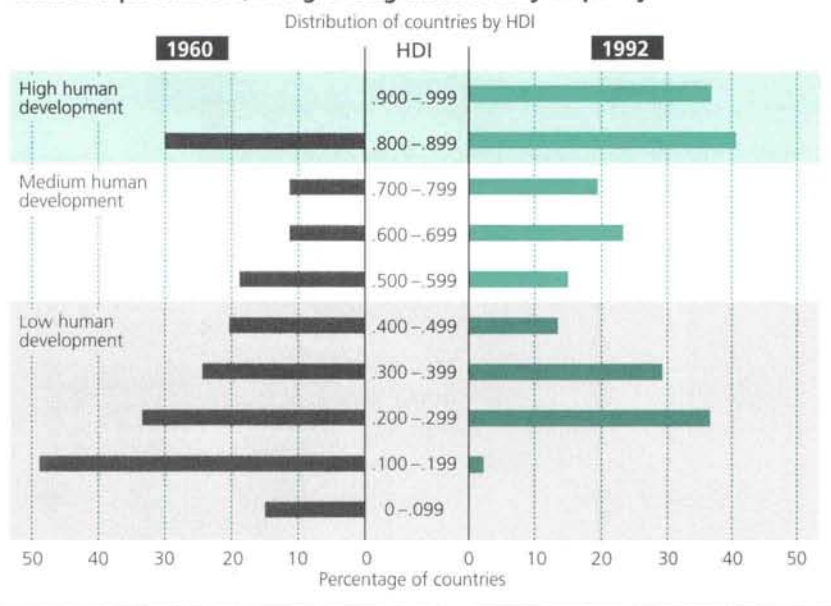
TABLE 5.5
HDI values by region, 1960–92

	1960	1970	1980	1992	Absolute increase in HDI value 1960–92
All developing countries	0.260	0.347	0.428	0.541	0.281
Least developed countries	0.165	0.209	0.251	0.307	0.142
Industrial ^a	0.799	0.859	0.889	0.918	0.119
World	0.392	0.460	0.519	0.605	0.213
Sub-Saharan Africa	0.200	0.255	0.306	0.357	0.156
Middle East and North Africa	0.277	0.363	0.480+	0.631	0.354
South Asia	0.202	0.248	0.290	0.376	0.174
South Asia excl. India	0.188	0.231	0.270	0.358	0.170
East Asia	0.255	0.379	0.484+	0.653	0.397
East Asia excl. China	0.416+	0.547	0.686>	0.861	0.446
South-East Asia and Oceania	0.284	0.373	0.469+	0.613	0.329
Latin America and the Caribbean excl. Mexico and Brazil	0.467+	0.568	0.682	0.757	0.290
	0.504	0.586	0.654	0.735	0.231

+ Region moving from low to medium human development.
> Region moving from medium to high human development.
a. Excluding Eastern Europe and the former Soviet Union.

FIGURE 5.2

Global improvement, but growing intercountry disparity



growth in East Asia was built on a solid foundation of human development.

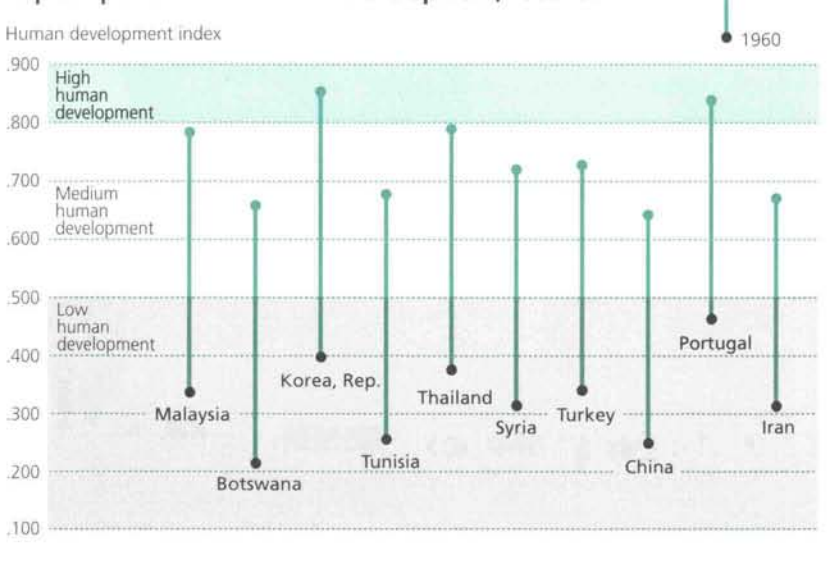
Some countries have made spectacular leaps. Japan jumped from a rank of 23 in 1960 to 3 in 1992. The four countries that made a double jump from low to high human development ranks were Portugal (among the industrial countries) and Colombia, Panama and the Republic of Korea (in the developing world).

The five countries showing the largest absolute increases in HDI were Malaysia (+0.463), Botswana (+0.463), the Republic of Korea (+0.462), Tunisia (+0.432) and Thailand (+0.424)—see table 5.6 and figure 5.3.

No country saw its HDI value fall over this period, unlike GDP, which has on occasion fallen in several countries. Human capital, once it is built up, is more likely to be sustainable.

FIGURE 5.3

Top ten performers in human development, 1960-92



A gender-disparity-adjusted HDI

One of the most significant differences within the overall HDI score for any country is between males and females. Men generally fare better than women on almost every socio-economic indicator (except life expectancy since, for biological reasons, women tend to live longer than men).

One way to illustrate this difference is to adjust the HDI ranking for gender disparities, expressing the female value of each component as a percentage of the male value. These percentages can be calculated separately for income, educational attainment and life expectancy—and then averaged to give an overall gender disparity factor. A country's overall HDI can then be

TABLE 5.6

Top performers in human development, 1960-92

Top ten performers 1960-70	Absolute increase in HDI value	Top ten performers 1970-80	Absolute increase in HDI value	Top ten performers 1980-92	Absolute increase in HDI value	Top ten performers 1960-92	Absolute increase in HDI value
Japan	0.190	Syrian Arab Rep.	0.239	Botswana	0.256	Malaysia	0.463
Spain	0.184	Malaysia	0.216	Thailand	0.247	Botswana	0.463
Hong Kong	0.176	Malta	0.187	Korea, Rep. of	0.193	Korea, Rep. of	0.462
Singapore	0.163	Brazil	0.166	Tunisia	0.191	Tunisia	0.432
Cyprus	0.154	Tunisia	0.159	Egypt	0.191	Thailand	0.424
Greece	0.150	Algeria	0.153	Turkey	0.190	Syrian Arab Rep.	0.408
Barbados	0.146	Portugal	0.148	Iran, Islamic Rep. of	0.175	Turkey	0.406
Malaysia	0.141	Jordan	0.148	China	0.169	China	0.396
Jamaica	0.132	Korea, Rep. of	0.143	Indonesia	0.168	Portugal	0.378
Portugal	0.128	Hungary	0.133	Morocco	0.166	Iran, Islamic Rep. of	0.366

multiplied by this factor to give a gender-disparity-adjusted HDI figure—if the relevant data are available.

For life expectancy and educational attainment, data are generally collected and analysed by gender. But for income, there is no way to determine how males and females share GDP. The distribution would be affected not just by the different earning capacities of men and women but also by the distribution of resources within households.

The only internationally comparable data on this are the wage rates in the industrial sector and the labour force participation rates outside agriculture. For the 43 countries with data, the female-male wage ratio ranges from a low of 51% (Japan) to a high of 90% (Sweden). Similarly, the female-male ratio in non-agricultural labour force participation rates varies from 22% (Bahrain) to 89% (Finland).

Multiplying these two ratios gives an overall “female-male income ratio” (annex table 5.4). Such ratios can paint only a partial picture, but they still reveal a remarkable pattern of discrimination. The combined ratios range from 21% (Bahrain) to 83% (Sweden). Of the 43 countries, 14 have a ratio below 40%, and only 11 a ratio above 60%. Even these disparities underestimate discrimination since male-female income differences are generally greater in agriculture and services than in manufacturing.

The differences along the other HDI dimensions are also significant. For life expectancy, women in industrial countries (and in most developing countries) live longer than men. In educational achievement, however, women are likely to lose out—not so much in the industrial countries, where there are relatively few differences between men and women, but certainly in the developing countries, where women’s literacy levels and years of schooling are much lower than men’s.

For the 43 countries (24 industrial and 19 developing) with data, no country improves its HDI value after it is adjusted for gender disparities. All countries treat women worse than men—unconscionable, after so many years of debate on gender

equality, so many changes in national legislation and so many years of struggle.

But some countries do less badly than others, so the gender-disparity adjustment makes a considerable difference to rankings. Slipping down the list are Japan, from 3 to 19, Canada from 1 to 9, Switzerland from 2 to 17, and Hong Kong from 22 to 30. Improving their rankings are Sweden from 4 to 1, Denmark from 15 to 4, Finland from 16 to 3 and New Zealand from 18 to 8.

In the industrial countries, gender discrimination shows up in the HDI mainly in employment and wages—with women often getting less than two-thirds of the employment opportunities and about half the earnings of men.

In developing countries, the discrimination is more broadly based. It occurs not only in employment but also in education, nutritional support and health care. Illiteracy is always higher for women—who make up two-thirds of the illiterate population. And neglect of women’s health and nutrition is so serious in some countries, particularly in Asia, that it even outweighs women’s natural biological tendency to live longer than men. Considering these early deaths, as well as those from the infanticide of girl babies, some studies estimate that up to 100 million women are “missing”.

An income-distribution-adjusted HDI

Another way the HDI can usefully be adjusted is for income distribution. The overall HDI reflects national income, but in many countries, particularly in the developing world, the distribution is badly skewed. This makes it important to discount the income component of the HDI to reflect maldistributions of income.

For the income disparity factor, we have divided the share of the income of the bottom 20% of the population by the share of the top 20%. Multiplying this ratio by the country’s overall HDI gives the income-distribution-adjusted HDI. This information is available for 55 countries.

No country has a perfect income distribution, so adjusting the HDI for income distribution reduces the score for all. But

Men generally fare better than women on almost every socio-economic indicator

the effect is greater for some countries (annex table 5.5).

Among the industrial countries, Belgium improves its ranking in this group by nine places and Germany by seven. But other countries slip significantly: Canada and Switzerland by seven places, and Australia by eight.

In developing countries, the income disparities can be even greater. In Brazil, the ratio between the income share of the bottom 20% of the population and that of the top 20% is 1 to 32, and in Botswana it is 1 to 47. As the table indicates, this causes their HDI rankings to slip significantly: Brazil by seven places and Botswana by eight places. Countries with more egalitarian income distributions climb several places: China by six, Sri Lanka by seven and Jamaica by eight.

One might also consider disaggregating the other HDI dimensions—educational achievement and longevity. But the range within a country is much greater for income than for the other dimensions: a rich person can earn 1,000 times more than a poor one but cannot live 1,000 times longer. So, having a small number of healthy people in a population in which most people are un-

healthy cannot inflate the average life expectancy figure by much—certainly not to the extent that a small number of fabulously wealthy people can inflate average national income.

Disaggregated HDIs

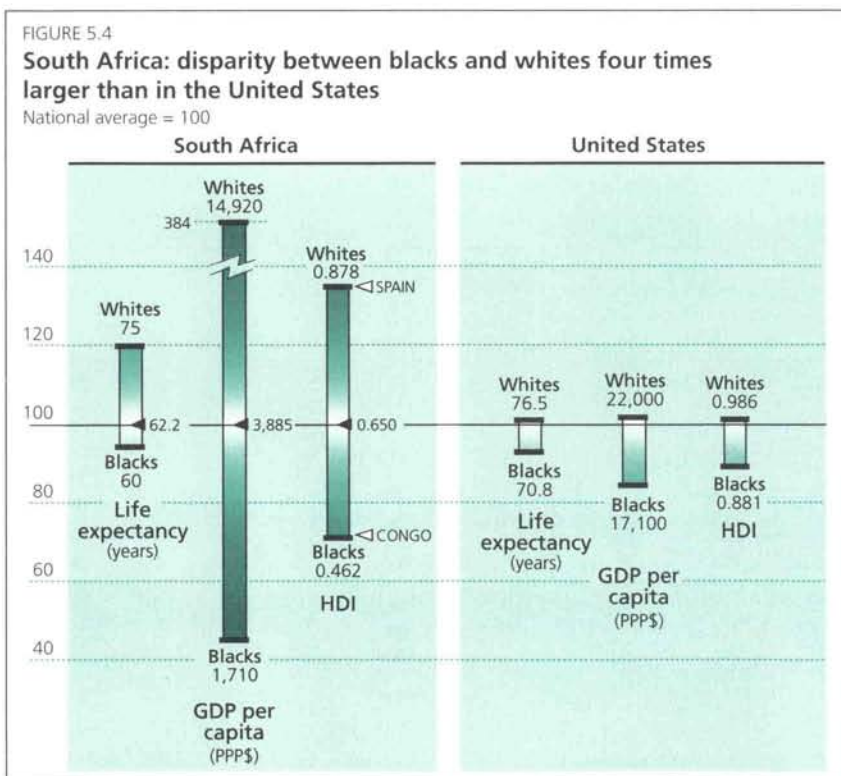
These adjustments to the overall HDI are particularly useful for international comparisons of disparities among countries. For comparisons within countries, a more useful approach is to calculate separate HDIs for different groups—by region, perhaps, or by gender or race. Previous *Human Development Reports* have included such disaggregations: for the United States, by race and gender, for India and Mexico, by state, for Swaziland, by region, and for Turkey, by region and gender.

Case studies were prepared for this Report, and summaries of nine of them appear here: for South Africa, Brazil, Nigeria, Egypt, China, Malaysia, Canada, Germany and Poland.

- *South Africa*—The very fact of apartheid has made it difficult to obtain reliable data on disparities between blacks and whites. In the mid-1970s, the government stopped publishing data on the nominally independent “homelands” (home to one-quarter of the black population). But even the data available give a striking picture of inequality (figure 5.4). The overall HDI for South Africa is 0.650—but that for whites is 0.878, while for blacks it is 0.462. If white South Africa were a separate country, it would rank 24 in the world (just after Spain). Black South Africa would rank 123 in the world (just above Congo). Not just two different peoples, these are almost two different worlds.

There are also significant gender differences, though these are due almost entirely to disparities within the black community—the HDI for black males is 0.530, while for black females it is 0.426. The poorest group of all is black rural females, whose HDI of 0.356 is only around 40% of that of the white population.

The wide disparities between black and white raise delicate issues. The major challenge for policy-makers will be to promote



social integration without provoking racial violence. As an indication of the scale of the task, the HDI disparity between blacks and whites in South Africa is four times that between blacks and whites in the United States, where racial violence remains a threat. Zimbabwe's experience may also be relevant for South Africa. Zimbabwe at the time of independence had similar disparities, if on a smaller scale, but it has achieved a considerable degree of social integration without inciting racial trouble.

- *Brazil*—Some of Brazil's greatest inequalities are between different income groups, but there are also striking regional disparities (figure 5.5). Brazil's overall HDI is 0.756, ranked 63 in the world. But if the South of Brazil were a separate country, its HDI of 0.838 would rank it number 42 (equal to Portugal), while the North-East, with an HDI of 0.549, would rank number 111 (on a par with El Salvador and Bolivia)—this, despite the fact that since 1970 the disparity between the two regions has been halved.

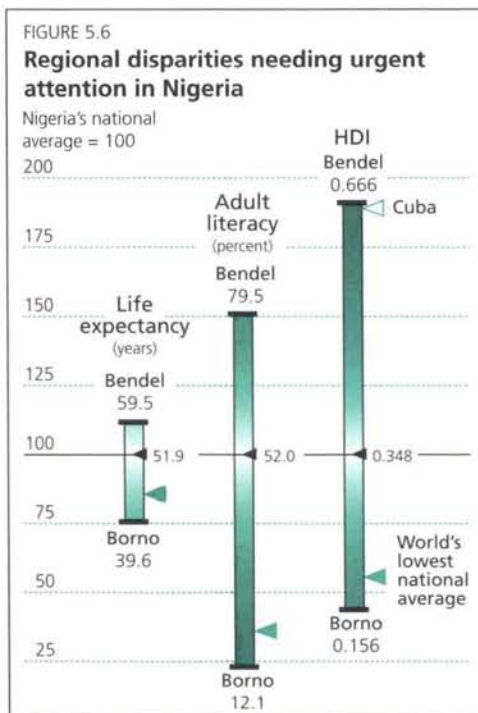
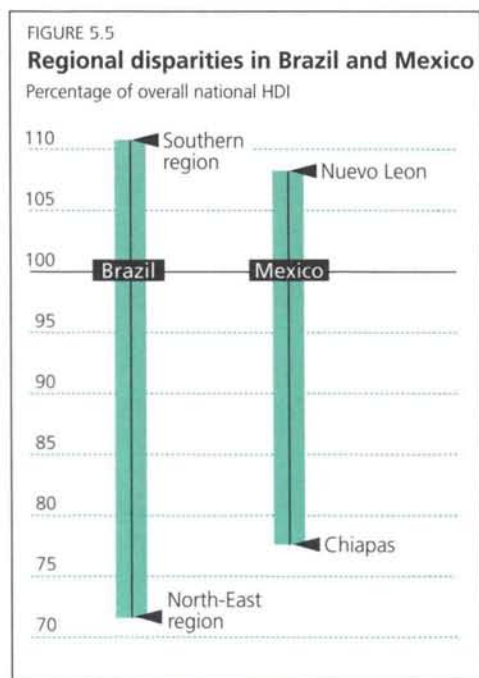
The socio-economic indicators in North-East Brazil point to the potential for considerable trouble. The region lags behind the more prosperous South in every respect: the disparity between the two regions is 17 years in life expectancy, 33 percentage points in adult literacy and \$2,000 (40%) in

real GDP per capita. These disparities are much greater than those between Mexico's state of Chiapas and the national average, and the recent trouble there should serve as a timely warning for policy-makers elsewhere.

- *Nigeria*—Regional disparities in Nigeria are among the worst in the world. Ranking the 19 states of Nigeria by HDI puts the state of Bendel on top with an HDI of 0.666, ahead of a progressive country like Sri Lanka (figure 5.6). At the bottom is Borno, with an HDI of 0.156, lower than that of any country in the world. Average life expectancy in Borno is only 40 years (18 years less than in Bendel), and adult literacy at 12% is less than one-quarter of the national average. Kaduna is another poor state, with a per capita GDP less than one-fifth of that in Bendel. These disparities contain the potential for major social, economic and political unrest—and deserve the urgent attention of policy-makers.

- *Egypt*—One of the most disturbing contrasts in Egypt is that between rural Upper Egypt and the Cairo Governate (figure 5.7). The Cairo Governate, with its HDI of 0.738, would rank 69 in the world (just behind Turkey). But rural Upper Egypt, with an HDI of 0.444, would rank 125 (behind Cameroon). These contrasts extend to all

Separate HDIs should be calculated for separate groups—by region, by gender or by race



The HDI has already had a major impact on policy-making on human development

the major indicators of human development. Adult literacy in rural Upper Egypt is less than half that in the Cairo Governate, average life expectancy is six years less and real per capita GDP, at \$2,680, is 45% less. Regional disparities in Egypt may not be as extreme as those in Brazil and Nigeria, but they are still large enough to deserve immediate policy attention.

- *China*—Over a long period of time, China has invested liberally in human development. So, despite its low per capita income, it falls in the medium HDI category. China also has the largest positive gap (+49) between its HDI rank and its GNP per capita rank—showing that it has made judicious use of its national income. But there are large regional disparities (figure 5.8). At the top of the regional HDI ranking are Shanghai (0.865) and Beijing (0.861), whose HDI would give them a rank of 31. At the bottom are Qinghai (0.550) and Tibet (0.404), which would rank 110 and 131 respectively. Now that China has embarked on rapid, market-led economic growth, it will need to take care that existing regional disparities do not widen further. Thoughtful state intervention will be required to ensure a more equitable distribution of social services.

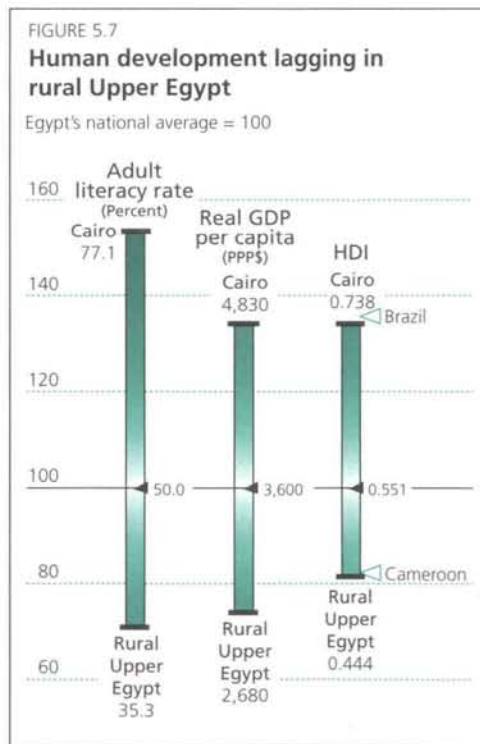
- *Malaysia*—There are major disparities between the Malay and Chinese communities (figure 5.9). Malaysia's overall HDI is 0.794, and it ranks number 57 in the world. But the Chinese community has an HDI of 0.896—which, taken alone, would rank it number 20 in the world (five places above Hong Kong). The Malays have an HDI of 0.730, which would rank them 70. The ethnic gaps have nevertheless been narrowing: in 1970, the Malay HDI was only 70% of that of the Chinese, but by 1991, it had reached 81%.

After racial riots in 1969, Malaysia embarked on a remarkably successful strategy for social integration, as discussed in chapter 2. The government made large investments in education, health and other services for all classes of society—but with a focus on the Malays as the more disadvantaged group (between 1970 and 1991, the HDI of the Malays increased nearly one and a half times as fast as that of the Chinese).

- *Canada*—The available data do not allow the construction of a separate HDI for different social groups in Canada. But they do show that the “aboriginals” (the Indians, the Inuit and the Metis, constituting 2.3% of the population) have a life expectancy 5.6 years lower than that of the rest of the population, and their real income is one-third less.

- *Germany*—Now that Germany has been reunified after 47 years, formerly international disparities have become regional ones. For life expectancy and education, these are not very great, since the former East Germany had invested significantly in human development. There is, however, a striking difference in income, which is three and a half times greater in the west than in the east. This gap is likely to be eroded fairly rapidly following the opening of market opportunities, since there do not seem to be significant differences in human capabilities.

- *Poland*—Poland offers a refreshing contrast to most other countries in regional distribution. The country has 49 regions but the HDI of Ostrolec, the least advanced region, is about 80% of that of Warsaw, the most advanced—a clear benefit of the egal-



itarian model of development that Poland followed in the past.

Using the HDI

The HDI, though only five years old, has already had a major impact on policy-making on human development. It seems the world was ready for a measure of development that went beyond per capita GNP. So far, the HDI has been used in five main ways:

- *To stimulate national political debate*—The reaction of most countries when the index is published is to see how well they are doing this year in comparison with everyone else. People have used the HDI for advocacy and to hold their representatives accountable—fuelling a national debate involving political parties and the press as well as NGOs.

- *To give priority to human development*—The HDI has emphasized that even the poorest countries can afford improvements in human development. An analysis of the three components of the HDI can identify areas requiring policy attention. Specific human development strategies have been formulated by Bangladesh, Botswana, Colombia, Egypt, Ghana, Mexico, Pakistan, Tunisia, the Pacific Islands and several Central American countries.

- *To highlight disparities within countries*—These disparities may already be well known, but the HDI can reveal them even more starkly. The disaggregation prepared for the 1993 Report on the differences in living conditions in the United States among blacks, hispanics and whites spurred a great deal of policy debate. Disaggregation by social group or region can also enable local community groups to press for more resources, making the HDI a tool for participatory development.

- *To open new avenues for analysis*—Widely used for academic analysis and for country reports and statistics, the HDI

allows new types of international comparison—for example, between countries that have effectively translated economic growth into human development and those less successful: between Japan and the United States, perhaps, or between the Republic of Korea and Pakistan. And development theories that previously relied on GNP growth as an indicator of success or failure can instead consider changes in the HDI.

- *To stimulate dialogue on aid policy*—Some donor countries have contemplated using the HDI as the basis for aid allocations. But it is not obvious how this should be done. Should aid go to countries with low HDIs—to the needy? Or should it go to countries showing the fastest rate of improvement in HDI over time—to the speedy? Or should it go as a reward to countries that already have high HDIs? A case is sometimes made for each option. The best use for the HDI, however, is to stimulate a constructive aid policy dialogue rather than to serve as a basis for aid allocations.

This Report has focused on the emerging concept of human security and a specific action agenda for the forthcoming World Summit for Social Development in Copenhagen in March 1995. One of the key issues in this analysis is the dark shadow of insecurity cast on the majority of the world's population: women. Although an attempt has been made to point out women's concerns in this Report, gender issues deserve a much more detailed analysis. In fact, a major effort is needed to analyse both the policies and the politics necessary for gender equality. This will be the principal focus of *Human Development Report 1995*. It is hoped that the next Report, to be released in May 1995, will make a useful contribution to the deliberations of the Fourth World Conference on Women in Beijing in September 1995.

FIGURE 5.8
China: good overall performance, extreme regional differences

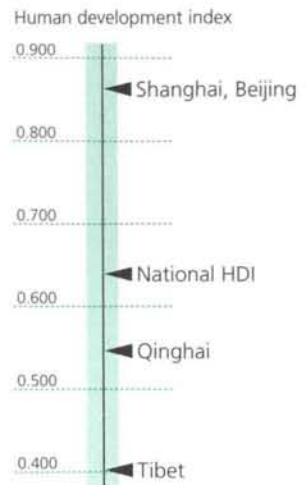
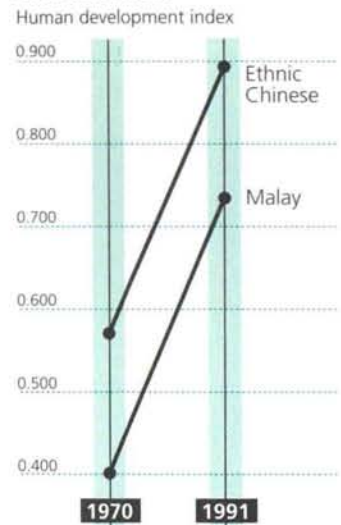


FIGURE 5.9
Malaysia: all improve, but some faster



ANNEX TABLE A5.1

How developing countries rank on human development indicators

	HDI 1992	Life expectancy 1992	Access to safe water 1988-91	Infant mortality 1992	Daily calorie supply 1988-90	Child malnutrition 1990	Adult literacy 1992	Mean years of schooling 1992	Radios 1990	Real GDP per capita (PPP\$) 1991	GNP per capita (US\$) 1991
20 Barbados	1	5	1	4	16	6	1	1	2	7	7
24 Hong Kong	2	1	8	1	15	10	15	10	5	1	3
26 Cyprus	3	2	1	3	20	15	8	12	25	6	5
32 Korea, Rep. of	4	18	18	13	21	3	3	2	1	10	8
33 Uruguay	5	10	26	12	66	11	4	5	9	17	15
35 Trinidad and Tobago	6	14	13	11	26	20	5	4	10	9	12
37 Argentina	7	13	21	20	12	1	6	3	4	22	16
38 Chile	8	11	24	10	45	2	9	7	19	15	23
39 Costa Rica	9	3	17	5	25	16	11	16	27	23	26
43 Singapore	10	7	1	2	2	9	12	39	6	3	2
46 Venezuela	11	19	21	24	53	8	18	15	11	11	17
47 Panama	12	9	27	13	54	24	16	13	38	24	24
50 Colombia	13	23	16	21	44	22	21	9	51	18	33
51 Kuwait	14	6	1	9	11	6	43	20	20	4	4
52 Mexico	15	20	32	26	9	37	20	27	30	14	13
54 Thailand	16	25	33	18	56	34	10	42	48	19	29
57 Malaysia	17	17	36	5	18	45	33	18	12	12	20
60 Mauritius	18	21	1	13	13	42	34	33	17	13	21
62 United Arab Emirates	19	15	1	16	1	12	50	19	21	2	1
63 Brazil	20	35	25	38	32	13	27	37	16	20	14
65 Jamaica	21	8	1	5	30	14	2	21	13	30	31
67 Saudi Arabia	22	24	15	23	24	32	51	40	24	5	6
68 Turkey	23	31	19	38	19	23	28	43	55	25	27
73 Syrian Arab Rep.	24	33	35	29	17	31	47	32	27	21	34
74 Ecuador	25	34	56	41	42	34	22	17	21	29	40
79 Libyan Arab Jamahiriya	26	46	14	51	3	4	48	45	38	16	10
81 Tunisia	27	29	9	32	4	18	46	59	45	27	30
84 Paraguay	28	28	83	34	31	5	13	25	51	34	32
86 Iran, Islamic Rep. of	29	32	47	31	6	87	59	40	35	28	22
87 Botswana	30	50	48	45	52	66	38	55	63	26	19
89 Cuba	31	4	12	5	5	17	7	6	18	52	43
90 Sri Lanka	32	12	37	17	60	92	17	11	45	44	57
92 Oman	33	22	30	21	36	54	85	81	7	8	9
94 China	34	16	28	19	33	52	32	22	50	39	68
95 Peru	35	43	54	53	81	36	23	14	30	37	39
96 Dominican Rep.	36	30	44	38	59	27	25	30	51	38	41
98 Jordan	37	27	10	27	35	33	26	22	30	40	37
99 Philippines	38	41	29	29	38	76	14	8	57	47	46
100 Iraq	39	36	20	43	8	26	54	24	38	32	18
103 Lebanon	40	26	11	25	14	18	31	29	3	46	28
105 Indonesia	41	47	65	49	23	83	24	34	56	43	51
106 Nicaragua	42	38	60	36	57	47	36	28	27	45	60
108 Guatemala	43	42	50	35	50	61	58	35	78	36	42
109 Algeria	44	37	39	47	27	29	55	51	35	41	25
110 Egypt	45	48	23	41	7	21	70	49	21	31	51
111 Morocco	46	45	34	51	10	27	64	48	43	35	38
112 El Salvador	47	40	72	33	48	48	41	31	14	51	36
113 Bolivia	48	49	63	60	89	25	35	37	8	49	49
114 Gabon	49	64	43	67	41	39	53	53	57	33	11
115 Honduras	50	39	31	45	78	50	39	36	15	54	53
116 Viet Nam	51	44	90	27	47	91	19	26	65	64	73
120 Lesotho	52	51	71	54	75	44	36	46	78	60	53
121 Zimbabwe	53	56	82	43	72	38	45	47	74	50	49
123 Congo	54	69	92	57	40	69	56	60	65	42	35
124 Cameroon	55	60	57	48	73	41	57	71	57	48	44
125 Kenya	56	53	69	50	85	43	44	57	62	63	70
129 Papua New Guinea	57	59	86	37	29	81	49	80	78	57	45
130 Myanmar	58	55	88	57	28	74	29	54	74	87	73
131 Madagascar	59	61	94	79	74	85	30	58	45	83	83
132 Pakistan	60	54	53	70	49	90	83	67	72	53	63

ANNEX TABLE A5.1

How developing countries rank on human development indicators (continued)

	HDI 1992	Life expectancy 1992	Access to safe water 1988-91	Infant mortality 1992	Daily calorie supply 1988-90	Child malnutrition 1990	Adult literacy 1992	Mean years of schooling 1992	Radios 1990	Real GDP per capita (PPP\$) 1991	GNP per capita (US\$) 1991
133 Lao People's Dem. Rep.	61	75	81	69	34	78	61	50	63	55	80
134 Ghana	62	58	61	56	79	65	52	44	26	75	63
135 India	63	52	67	64	43	96	71	56	74	68	72
136 Côte d'Ivoire	64	70	40	65	22	29	60	66	57	58	48
137 Haiti	65	57	78	62	70	60	61	69	86	76	68
138 Zambia	66	90	70	59	82	64	40	52	74	72	59
139 Nigeria	67	67	66	68	77	80	66	75	51	62	70
140 Zaire	68	71	85	66	64	75	42	72	71	95	80
142 Yemen	69	68	40	77	76	67	76	82	93	61	55
143 Senegal	70	76	73	55	69	49	79	82	65	56	47
144 Liberia	71	62	59	89	63	51	75	61	35	78	57
145 Togo	72	63	51	60	61	46	72	73	43	82	62
146 Bangladesh	73	66	77	78	71	97	82	64	88	67	80
147 Cambodia	74	74	80	81	67	82	81	65	65	64	87
148 Tanzania, U. Rep. of	75	73	64	73	80	59	61	63	93	91	95
149 Nepal	76	65	75	71	46	95	92	62	93	69	88
151 Sudan	77	72	74	71	88	77	91	87	30	66	63
152 Burundi	78	77	52	76	86	70	66	89	82	89	83
153 Rwanda	79	83	45	79	91	72	65	79	82	85	78
154 Uganda	80	96	95	74	87	62	68	76	65	70	91
155 Angola	81	89	84	88	92	79	74	74	82	73	91
156 Benin	82	87	58	63	51	56	95	88	72	59	67
157 Malawi	83	92	62	93	83	56	73	68	38	79	79
158 Mauritania	84	80	40	82	37	40	85	89	57	74	56
159 Mozambique	85	83	91	95	94	94	87	70	86	77	97
160 Central African Rep.	86	81	96	75	93	73	78	78	78	88	66
161 Ethiopia	87	85	89	84	96	88	69	77	48	97	93
162 Bhutan	88	79	87	90	55	83	77	93	97	90	88
164 Guinea-Bissau	89	94	79	92	65	54	80	89	88	81	88
165 Somalia	90	85	49	84	90	86	93	93	88	80	95
167 Mali	91	91	76	96	39	53	84	89	88	94	77
168 Chad	92	82	97	84	97	71	88	93	34	96	83
169 Niger	93	88	55	87	62	93	90	96	82	92	73
170 Sierra Leone	94	97	67	94	84	63	96	82	38	71	83
171 Afghanistan	95	94	93	97	95	89	89	82	65	84	93
172 Burkina Faso	96	78	38	82	68	68	97	96	93	86	76
173 Guinea	97	93	46	91	58	58	94	82	88	93	60

Note: Ninety-seven developing countries have been given ranks that reflect their comparative performance in the selected aspects of human development illustrated in this table. To make the ranks comparable across indicators, countries have been ranked only if they have estimates for all the indicators. Countries with equal performance in an indicator are given the same rank.

ANNEX TABLE A5.2

How industrial countries rank on human development indicators

	HDI 1992	Life expectancy 1992	Population per doctor 1990	Maternal mortality 1988	Mean years of schooling 1992	Overall enrolment 1991	Tertiary enrolment 1990	News- paper circulation 1990	Televi- sions 1990	Real GDP per capita (PPP\$) 1991	GNP per capita (US\$) 1991
1 Canada	1	6	17	9	2	1	2	19	2	5	8
2 Switzerland	2	2	25	6	7	10	21	6	19	2	1
3 Japan	3	1	24	23	15	11	20	2	3	4	2
4 Sweden	4	3	10	9	9	20	15	4	10	10	3
5 Norway	5	9	20	2	3	7	5	1	14	11	4
6 France	6	11	8	16	4	5	6	20	18	6	10
7 Australia	7	10	16	5	5	17	11	16	8	14	15
8 USA	8	17	15	16	1	2	1	16	1	1	7
9 Netherlands	9	6	13	18	12	17	10	13	7	13	13
10 United Kingdom	10	13	27	14	6	15	19	8	13	15	16
11 Germany	11	16	10	13	8	11	8	9	4	3	8
12 Austria	12	15	2	14	10	25	12	11	9	8	11
13 Belgium	13	14	4	2	11	9	7	14	11	9	12
15 Denmark	14	20	12	2	13	7	13	10	5	7	6
16 Finland	15	18	13	21	14	3	3	3	6	16	5
18 New Zealand	16	19	22	24	16	5	4	12	12	17	18
19 Israel	17	12	8	6	17	11	14	15	23	18	19
21 Ireland	18	21	25	1	20	11	18	22	22	20	20
22 Italy	19	8	1	6	22	15	17	25	15	12	14
23 Spain	20	4	3	9	26	4	9	26	20	19	17
25 Greece	21	5	22	9	25	15	22	23	25	22	21
27 Czechoslovakia	22	24	4	18	19	21	25	5	16	23	24
31 Hungary	23	27	7	25	18	25	26	18	17	24	23
42 Portugal	24	22	18	18	27	23	23	28	27	21	22
48 Bulgaria	25	25	6	26	24	21	16	7	24	25	25
49 Poland	26	26	18	21	21	17	24	24	21	26	26
72 Romania	27	28	21	28	23	28	27	21	25	27	28
76 Albania	28	23	28	27	28	23	28	27	28	27	27

Note: Twenty-eight industrial countries have been given ranks that reflect their comparative performance in the selected aspects of human development illustrated in this table. To make the ranks comparable across indicators, countries have been ranked only if they have estimates for all the indicators. Countries with equal performance in an indicator are given the same rank.

ANNEX TABLE A5.3
HDI values, 1960–92

	1960	1970	1980	1992		1960	1970	1980	1992
Canada	0.865	0.887	0.911	0.932	Peru	0.420+	0.528	0.590	0.642
Switzerland	0.853	0.872	0.897	0.931	Dominican Rep.	0.385	0.455+	0.541	0.638
Japan	0.686>	0.875	0.906	0.929	Jordan	0.296	0.405+	0.553	0.628
Sweden	0.867	0.881	0.899	0.928	Philippines	0.419	0.489+	0.557	0.621
Norway	0.865	0.878	0.901	0.928	Iraq	0.348	0.452+	0.581	0.614
France	0.853	0.871	0.895	0.927	Indonesia	0.223	0.306	0.418+	0.586
Australia	0.850	0.862	0.890	0.926	Nicaragua	0.344	0.462+	0.534	0.583
USA	0.865	0.881	0.905	0.925	Guatemala	0.311	0.392	0.477+	0.564
Netherlands	0.855	0.867	0.888	0.923	Algeria	0.264	0.323	0.476+	0.553
United Kingdom	0.857	0.873	0.892	0.919	Egypt	0.210	0.269	0.360+	0.551
Germany	0.841	0.856	0.881	0.918	Morocco	0.198	0.282	0.383+	0.549
Austria	0.797>	0.857	0.880	0.917	El Salvador	0.339	0.422	0.454+	0.543
Belgium	0.826	0.851	0.873	0.916	Bolivia	0.308	0.369	0.442+	0.530
Iceland	0.853	0.863	0.890	0.914	Gabon	0.259	0.378	0.468+	0.525
Denmark	0.857	0.879	0.888	0.912	Honduras	0.280	0.350	0.435+	0.524
Finland	0.811	0.855	0.880	0.911	Lesotho	0.245	0.307	0.404	0.476
Luxembourg	0.826	0.843	0.869	0.908	Zimbabwe	0.284	0.326	0.386	0.474
New Zealand	0.852	0.861	0.877	0.907	Congo	0.241	0.307	0.368	0.461
Israel	0.719>	0.827	0.862	0.900	Cameroon	0.191	0.253	0.332	0.447
Barbados	0.678>	0.824	0.856	0.894	Kenya	0.192	0.254	0.340	0.434
Ireland	0.710>	0.829	0.862	0.892	Papua New Guinea	0.208	0.325	0.348	0.408
Italy	0.755>	0.831	0.857	0.891	Myanmar	0.243	0.318	0.356	0.406
Spain	0.636>	0.820	0.851	0.888	Madagascar	0.237	0.291	0.344	0.396
Hong Kong	0.561	0.737>	0.830	0.875	Pakistan	0.183	0.244	0.287	0.393
Greece	0.573	0.723>	0.839	0.874	Ghana	0.233	0.283	0.323	0.382
Cyprus	0.579	0.733>	0.844	0.873	India	0.206	0.254	0.296	0.382
Hungary	0.625	0.705>	0.838	0.863	Côte d'Ivoire	0.168	0.243	0.330	0.370
Korea, Rep. of	0.398+	0.523	0.666>	0.859	Haiti	0.174	0.218	0.295	0.354
Uruguay	0.737	0.762>	0.830	0.859	Zambia	0.258	0.315	0.342	0.352
Trinidad and Tobago	0.737	0.789>	0.816	0.855	Nigeria	0.184	0.230	0.297	0.348
Argentina	0.667	0.748	0.790>	0.853	Zaire	0.179	0.235	0.286	0.341
Chile	0.584	0.682	0.753>	0.848	Yemen	0.092	0.138	0.253	0.323
Costa Rica	0.550	0.647	0.746>	0.848	Senegal	0.146	0.176	0.233	0.322
Malta	0.517	0.615>	0.802	0.843	Liberia	0.166	0.229	0.277	0.317
Portugal	0.460+	0.588	0.736>	0.838	Togo	0.123	0.183	0.255	0.311
Singapore	0.519	0.682	0.780>	0.836	Bangladesh	0.166	0.199	0.234	0.309
Venezuela	0.600	0.728	0.784>	0.820	Tanzania, U. Rep. of	0.162	0.211	0.282	0.306
Panama	0.485+	0.592	0.687>	0.816	Nepal	0.128	0.162	0.209	0.289
Colombia	0.469+	0.554	0.656>	0.813	Sudan	0.160	0.188	0.229	0.276
Mexico	0.517	0.642	0.758>	0.804	Burundi	0.131	0.157	0.219	0.276
Thailand	0.373	0.465+	0.551	0.798	Rwanda	0.185	0.215	0.244	0.274
Malaysia	0.330	0.471+	0.687	0.794	Uganda	0.185	0.213	0.215	0.272
Mauritius	0.486+	0.524	0.626	0.778	Angola	0.139	0.195	0.212	0.271
United Arab Emirates	0.515	0.601	0.719	0.771	Benin	0.130	0.162	0.197	0.261
Brazil	0.394+	0.507	0.673	0.756	Malawi	0.144	0.176	0.216	0.260
Jamaica	0.529	0.662	0.654	0.749	Mozambique	0.169	0.248	0.247	0.252
Saudi Arabia	0.448+	0.511	0.629	0.742	Central African Rep.	0.160	0.196	0.226	0.249
Turkey	0.333	0.441+	0.549	0.739	Guinea-Bissau	0.091	0.125	0.148	0.224
Syrian Arab Rep.	0.318	0.419+	0.658	0.727	Somalia	0.111	0.124	0.162	0.217
Ecuador	0.422	0.485+	0.613	0.718	Gambia	0.068	0.107	0.148	0.215
Tunisia	0.258	0.340	0.499+	0.690	Mali	0.083	0.102	0.146	0.214
Paraguay	0.474+	0.511	0.602	0.679	Chad	0.112	0.135	0.151	0.212
Iran, Islamic Rep. of	0.306	0.406	0.497+	0.672	Niger	0.090	0.134	0.163	0.209
Botswana	0.207	0.284	0.414+	0.670	Sierra Leone	0.095	0.155	0.177	0.209
Sri Lanka	0.475+	0.506	0.552	0.665	Afghanistan	0.101	0.131	0.165	0.208
South Africa	0.464+	0.591	0.629	0.650	Burkina Faso	0.086	0.116	0.151	0.203
China	0.248	0.372	0.475+	0.644	Guinea	0.083	0.111	0.148	0.191

> Country moving from medium to high human development.
+ Country moving from low to medium human development.

ANNEX TABLE A5.4

Gender-disparity-adjusted HDI

	HDI value	Females as % of males			Average female-male ratio for the three HDI components (%)	Gender-disparity-adjusted HDI	Percentage difference between HDI and gender-disparity-adjusted HDI	Difference between HDI and gender-disparity-adjusted HDI ranks ^b
		Life expectancy ^a	Educational attainment	Adjusted real income				
Sweden	0.928	101.0	100.0	83.4	94.8	0.880	-4.8	3
Norway	0.927	102.2	99.2	71.1	90.8	0.843	-8.5	3
Finland	0.911	104.1	99.4	69.4	91.0	0.829	-8.2	13
Denmark	0.912	101.2	99.4	71.0	90.5	0.826	-8.6	11
France	0.927	104.0	100.6	61.0	88.5	0.820	-10.7	1
Iceland	0.914	100.0	100.7	68.3	89.7	0.820	-9.4	8
Australia	0.926	101.7	99.4	63.8	88.3	0.818	-10.8	0
New Zealand	0.907	101.5	101.3	61.0	87.9	0.797	-11.0	10
Canada	0.932	102.1	98.9	51.5	84.2	0.785	-14.7	-8
Netherlands	0.923	101.7	101.5	51.6	84.9	0.784	-13.9	-1
United Kingdom	0.919	100.3	100.6	53.0	84.6	0.778	-14.1	-1
USA	0.925	102.4	100.5	48.3	83.7	0.775	-15.0	-4
Germany	0.918	101.9	97.0	54.0	84.3	0.774	-14.4	-2
Austria	0.917	102.1	96.7	54.2	84.3	0.773	-14.4	-2
Czechoslovakia	0.872	103.4	95.9	62.6	87.3	0.761	-11.1	10
Belgium	0.916	102.0	100.0	46.6	82.9	0.759	-15.7	-3
Switzerland	0.931	102.1	97.8	41.7	80.5	0.750	-18.1	-15
Italy	0.891	101.8	98.6	47.0	82.5	0.735	-15.6	2
Japan	0.929	100.9	99.4	35.3	78.5	0.730	-19.9	-16
Luxembourg	0.908	103.2	98.5	30.9	77.5	0.704	-20.4	-3
Spain	0.888	101.3	97.7	37.6	78.8	0.700	-18.8	0
Ireland	0.892	100.8	100.8	33.3	78.3	0.698	-19.4	-3
Portugal	0.838	102.7	86.8	59.7	83.1	0.696	-14.2	5
Greece	0.874	100.4	90.6	38.8	76.6	0.669	-20.5	-1
Thailand	0.798	100.1	89.6	60.5	83.4	0.666	-13.2	5
Costa Rica	0.848	99.5	98.9	33.2	77.2	0.654	-19.4	1
Cyprus	0.873	99.2	85.5	37.7	74.1	0.647	-22.6	-3
Korea, Rep. of	0.859	101.4	83.7	37.3	74.1	0.637	-22.2	-2
Singapore	0.836	100.8	66.2	47.6	71.5	0.598	-23.8	0
Hong Kong	0.875	100.4	62.8	39.9	67.7	0.592	-28.3	-8
Mauritius	0.778	102.5	80.9	35.2	72.9	0.567	-21.1	1
Paraguay	0.679	99.1	93.3	48.5	80.3	0.545	-13.4	2
Bahrain	0.791	99.4	79.4	20.9	66.6	0.527	-26.4	-2
Turkey	0.739	100.3	69.1	40.6	70.0	0.517	-22.2	-1
Sri Lanka	0.665	99.0	86.5	43.7	76.4	0.508	-15.7	0
Philippines	0.621	98.2	96.7	35.2	76.7	0.476	-14.5	1
China	0.644	97.6	69.4	52.4	73.1	0.471	-17.3	-1
El Salvador	0.543	101.5	88.6	69.5	86.5	0.470	-8.7	1
Bolivia	0.530	99.3	75.8	63.8	79.6	0.422	-10.8	1
Swaziland	0.513	97.6	81.8	32.3	70.6	0.362	-15.1	1
Egypt	0.551	95.8	48.8	32.5	59.0	0.325	-22.6	-3
Kenya	0.434	98.0	63.7	58.5	73.4	0.318	-11.6	0
Myanmar	0.406	97.1	76.7	56.8	76.8	0.312	-9.4	0

a. Adjusted for natural biological life expectancy advantage for females.

b. A positive figure shows that the gender-disparity-adjusted HDI rank is better than the unadjusted HDI rank, a negative the opposite.

ANNEX TABLE A5.5

Income-distribution-adjusted HDI

	HDI value 1992	Income- distribution- adjusted HDI value 1992	Difference between HDI and income- distribution- adjusted ranks ^a
Japan	0.929	0.875	2
Sweden	0.928	0.829	2
Belgium	0.916	0.817	9
Germany	0.918	0.797	7
Netherlands	0.923	0.773	4
Norway	0.928	0.772	-1
France	0.926	0.765	-1
Canada	0.932	0.763	-7
Switzerland	0.931	0.749	-7
Finland	0.911	0.740	4
USA	0.925	0.740	-3
United Kingdom	0.919	0.731	-2
Denmark	0.912	0.730	0
Italy	0.891	0.730	3
Australia	0.926	0.695	-8
Israel	0.900	0.689	0
Spain	0.884	0.683	1
Hong Kong	0.875	0.668	1
New Zealand	0.907	0.668	-4
Hungary	0.863	0.655	0
Poland	0.815	0.598	5
Singapore	0.836	0.593	1
Costa Rica	0.848	0.546	-1
Jamaica	0.749	0.542	8
Chile	0.848	0.540	-4
Venezuela	0.820	0.534	-2
Panama	0.816	0.511	-2
Sri Lanka	0.665	0.510	7
Colombia	0.813	0.508	-2
Thailand	0.798	0.508	-1
Mexico	0.804	0.503	-3
Malaysia	0.794	0.499	-2
Philippines	0.621	0.485	5
China	0.644	0.484	6
Peru	0.642	0.461	1
Dominican Rep.	0.638	0.455	1
Indonesia	0.586	0.447	2
Brazil	0.756	0.436	-7
Tunisia	0.690	0.427	-6
Honduras	0.524	0.412	3
Lesotho	0.476	0.386	3
Botswana	0.670	0.374	-8
Guatemala	0.564	0.366	-2
Morocco	0.549	0.365	-2
Kenya	0.434	0.351	0
Ghana	0.382	0.332	1
India	0.382	0.324	1
Pakistan	0.393	0.294	-2
Côte d'Ivoire	0.370	0.290	0
Tanzania, U. Rep. of	0.306	0.271	1
Bangladesh	0.309	0.253	-1
Rwanda	0.274	0.241	1
Nepal	0.289	0.233	-1
Ethiopia	0.249	0.230	0
Uganda	0.272	0.219	0

a. A positive figure indicates that the income-distribution-adjusted rank is better than the HDI rank, a negative the opposite.

Technical notes

1. Computing the human development index

The HDI for 1994 is calculated on a different basis from that in previous years. Maximum and minimum values have been fixed for the four basic variables—life expectancy (85.0 and 25.0 years), adult literacy (100% and 0%), mean years of schooling (15 and 0 years) and income (PPP\$40,000 and \$200). For income, the threshold value is taken to be the global average real GDP per capita of PPP\$5,120. Multiples of income beyond the threshold are discounted using a progressively higher rate.

To illustrate, take a pair of countries, one industrial, one developing—Greece and Gabon. Their basic variables are as follows:

Country	Life expectancy (years)	Adult literacy (%)	Mean years of schooling	Income (PPP\$)
Greece	77.3	93.8	7.0	7,680
Gabon	52.9	62.5	2.6	3,498

Life expectancy

$$\text{Greece} \quad \frac{77.3 - 25.0}{85.0 - 25.0} = \frac{52.3}{60.0} = 0.872$$

$$\text{Gabon} \quad \frac{52.9 - 25.0}{85.0 - 25.0} = \frac{27.9}{60.0} = 0.465$$

Adult literacy

$$\text{Greece} \quad \frac{93.8 - 0.0}{100.0 - 0.0} = \frac{93.8}{100.0} = 0.938$$

$$\text{Gabon} \quad \frac{62.5 - 0.0}{100.0 - 0.0} = \frac{62.5}{100.0} = 0.625$$

Mean years of schooling

$$\text{Greece} \quad \frac{7.0 - 0.0}{15.0 - 0.0} = \frac{7.0}{15.0} = 0.467$$

$$\text{Gabon} \quad \frac{2.6 - 0.0}{15.0 - 0.0} = \frac{2.6}{15.0} = 0.173$$

Educational attainment

$$\text{Greece} = 2(0.938) + 0.467 = 2.343 \div 3 = 0.781$$

$$\text{Gabon} = 2(0.625) + 0.173 = 1.423 \div 3 = 0.473$$

Adjusted income

Greece's income is above the threshold, but less than twice the threshold. Thus,

$$\begin{aligned} \text{Greece} &= 5,120 + 2(7,680 - 5,120)^{1/2} \\ &= 5,120 + 101 \\ &= 5,221 \end{aligned}$$

Gabon's income is below the threshold, so it needs adjusting. To calculate the distance for income, use the maximum adjusted income (5,385) and the minimum (200).

$$\text{Greece} \quad \frac{5,221 - 200}{5,385 - 200} = \frac{5,021}{5,185} = 0.968$$

$$\text{Gabon} \quad \frac{3,498 - 200}{5,385 - 200} = \frac{3,298}{5,185} = 0.636$$

Country	Indexed life expectancy	Indexed educational attainment	Indexed adjusted income	Σ	HDI
Greece	0.872	0.781	0.968	= 2.621	0.874
Gabon	0.465	0.473	0.636	= 1.574	0.525

2. A new aid reporting system

While aid concerns have been changing in recent years, the ways in which statistics are recorded have remained largely unchanged. This makes analysing and accounting for aid extremely difficult.

Whether one uses the aid statistics produced in the reports of the Development Assistance Committee (DAC) of the OECD, or the Development Cooperation Reports produced by UNDP, the picture is more or less the same. Aid flows are recorded primarily according to country (donor and recipient) and by sector (such as agriculture, industry, transport, health or education).

If, on the other hand, one wants to know what proportion of available resources are going towards priority concerns such as poverty reduction, the integration of women in development, democratization or environmental protection and regeneration, it is usually possible to make only rough estimates. More accurate information requires special research.

Another shortcoming of aid reporting is that the statistics are presented in isolation from other resource flows, such as trade, foreign investment, debt payments or remittances from workers abroad.

Clearly, there is an urgent need for a new aid reporting system. This system should provide information on at least three sets of issues.

- *Human development priorities*—showing the allocations to such concerns as primary health care (including family planning), basic education, nutrition support, and low-cost rural and peri-urban water and sanitation.
- *Distribution by target groups*—showing how much aid reaches the poorest, and how much is spent at the local level.
- *Military spending*—allowing examination of the link between aid flows and reduction in military spending.

Aid should also be shown in the context of overall resource flows to each country—in effect, presenting a total financial resource flow balance sheet.

DAC is probably the organization best able to take the lead. It has already made a start on revising the existing system. And preliminary work shows that it is possible and useful to report on aid according to its objectives.

We suggest that the Annual Report of the Chairman of DAC should include tables along the lines of those below.

TABLE 1
Human development aid profile of donor countries

Donor country	Official development assistance (ODA) given									
	US\$ millions	As % of GNP	As % of central government budget	As % of military exports	Per capita (US\$)	Per poor person (US\$)	Aid social allocation ratio (%)	Aid social priority ratio (%)	Aid human expenditure ratio (%)	Human priority aid (as % of total aid)

TABLE 2
Human development aid profile of recipient countries

Recipient country	Official development assistance (ODA) received				Aid social allocation ratio (%)	Aid social priority ratio (%)	Aid human expenditure ratio (%)	Human priority aid (as % of total aid)
	US\$ millions	As % of GNP	Per capita (US\$)	Per poor person (US\$)				

TABLE 3
Human development aid profile of multilateral donor agencies

Donor agency	Share of total ODA for human priorities		
	Aid social allocation ratio (%)	Social priority ratio (%)	Share of total ODA for human priorities (%)

TABLE 4
Aid to human development priorities—overview of donor-country allocations

Human development priority	US\$ millions	As % of total aid
Primary health care (including family planning)		
Basic education		
Low-cost rural and peri-urban water and sanitation		
Nutrition support		
Total aid to social sector		
<i>Memo items</i>		
Income enhancement and other poverty alleviation activities		
Local environment and sustainable development activities		

TABLE 5
Aid to human development priorities—overview of recipient-country expenditure

Human development priority	US\$ millions	As % of total aid
Primary health care (including family planning)		
Basic education		
Low-cost rural and peri-urban water and sanitation		
Nutrition support		
Total aid to social sector		
<i>Memo items</i>		
Income enhancement and other poverty alleviation activities		
Local environment and sustainable development activities		

TABLE 6
Aid allocations to human development priorities, by donor country

Donor country	Primary health care (including family planning)		Basic education	Nutrition	Rural and peri-urban water and sanitation		Human development priorities
	(US\$ millions)	(US\$ millions)			(US\$ millions)	(US\$ millions)	

TABLE 7
ODA to the poor

Recipient country	Number of poor (millions)	Poor as % of total population	ODA per poor person (US\$)	ODA to the poor as % of total ODA

TABLE 8
ODA de-concentration ratios

ODA target groups in recipient countries	ODA (US\$)	Percentage of total
Government		
Central government		
State/provincial government		
Local government		
Private sector		
National NGOs		
<i>Memo items</i>		
ODA channelled through international NGOs		
ODA spent in donor countries—for example, on aid-related communication purposes		
Total		

TABLE 9
ODA and military spending

Military spending	Number of countries in group	Share of total ODA (%)	Share of population (%)	ODA share as % of population share
Low (<2% of GDP)				
Medium (2–4% of GDP)				
High (>4% of GDP)				
Total				

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Chapter 2 draws on the following: Barsh 1993, Baverman 1993, Bowser and others 1992, Bread for the World Institute 1993, Brown, Kane and Ayres 1993, Clarke 1991, Cohen 1993, Cuhane 1993, Deng 1993, End Child Prostitution in Asian Tourism 1992, Gurr 1993, Hamm, Nuscheler and Sander 1993, Homer-Dixon 1991, Human Rights Watch 1993, International Labour Office 1993, Kakar 1993, Kaplan 1994, Mackay 1993, Mandel and others 1993, Mann, Tarantola and Netter 1992, OECD 1993c, Pear 1993, Remenyi 1991, Sen 1981, Sköns and Ström 1993, Smith 1993, Speth 1993, Tullis 1993, UNDP 1993a, UNFPA 1991, United Nations 1993c, U.S. Department of State 1945, WHO 1993a, Wilford 1994, World Bank 1993c and World Resources Institute 1992.

References for the boxes are as follows: box 2.1, materials from UNDP country offices; box 2.2, Sen 1981; box 2.3, Mann, Tarantola and Netter 1992; box 2.4, Kakar 1993; box 2.5, Tullis 1993; box 2.7, Cohen 1993; box 2.8, Kieschnick and Parzen 1992, Remenyi 1991 and Yaron 1994.

References for the tables are as follows: table 2.2, Sköns and Ström 1993 and UNHCR 1993.

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Chapter 3 draws on the following: Boutros-Ghali 1992, Brzoska 1993, DiChiaro and Laurance 1993, Eliasson 1993, Physicians for Human Rights and the Arms Project of Human Rights Watch 1993, Sivard 1993, Sköns and Ström 1993, Smith 1993, United Nations

1945, 1993a, 1993b and 1994, Urquhart 1993 and Wulf 1993a, 1993b, 1993c and 1993d.

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Chapter 4 draws on the following: Cassen and others 1987, Chickering and Salahdine 1991, Griffin and McKinley 1993, Kaul and Savio 1993, Krueger 1993, North-South Roundtable forthcoming, OECD 1993a, Ogata, Volcker and others 1993, Randel and German 1993, UNDP 1992, 1993a and 1993b, UNICEF 1994 and World Bank 1992a, 1992b, 1993a and 1993c.

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Chapter 5 draws on the following: Adamu 1993, Akder 1993, Aturupane, Glewwe and Isenman 1994, Barsh 1993, El-laithy 1993, ISIS 1993a, Khatib 1993, Makgetla 1993, Noll 1993, Obame 1993, Osman 1993, Spindola 1993, Srinivasan 1994, Streeten 1994a and Zhizhou 1993.

References for the figures are as follows: figure 5.4, Makgetla 1993 and UNDP 1993a; figure 5.5, Spindola 1993 and UNDP 1993a; figure 5.6, Adamu 1993; figure 5.7, El-laithy 1993; figure 5.8, Zhizhou 1993; figure 5.9, ISIS 1993a and 1993b.

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Selected definitions

Aid human expenditure ratio The percentage of a donor's GNP going to human priority areas in recipient countries or the amount of official development assistance received for human priority areas as a percentage of the recipient country's GNP.

Bilateral aid social allocation ratio The percentage of bilateral official development assistance that goes to the social sector.

Bilateral aid social priority ratio The percentage of bilateral social sector official development assistance that goes to human priority areas.

Births attended The percentage of births attended by physicians, nurses, midwives, trained primary health care workers or trained traditional birth attendants.

Budget surplus/deficit Current and capital revenue and grants received, less total expenditure and lending, minus repayments.

Contraceptive prevalence rate The percentage of married women of childbearing age who are using, or whose husbands are using, any form of contraception, whether modern or traditional.

Current account balance The difference between (a) exports of goods and services (factor and non-factor) as well as inflows of unrequited private transfers but before official transfers and (b) imports of goods and services as well as all unrequited transfers to the rest of the world.

Daily calorie requirement per capita The average number of calories needed to sustain a person at normal levels of activity and health, taking into account the distribution of the population by age, sex, body weight and environmental temperature.

Daily calorie supply per capita The calorie equivalent of the net food supplies in a country, divided by the population, per day.

Debt service The sum of repayments of principal and payments of interest made in foreign currencies, goods or services on external public, publicly guaranteed and private non-guaranteed debt.

Dependency ratio The ratio of the pop-

ulation defined as dependent—those under 15 and those over 64—to the working-age population, aged 15 to 64.

Direct tax Taxes levied on the actual or presumptive net income of individuals, on the profits of enterprises and on capital gains, whether realized on land sales, securities or other assets.

Discouraged workers People who leave the labour force in the face of poor job prospects or decide not to enter.

Domestic investment (gross) Outlays in addition to the fixed assets of the economy plus net changes in the level of inventories.

Domestic savings (gross) The gross domestic product less government and private consumption.

Earnings per employee Earnings in constant prices derived by deflating nominal earnings per employee by the country's consumer price index.

Education expenditures Expenditures on the provision, management, inspection and support of pre-primary, primary and secondary schools; universities and colleges; vocational, technical and other training institutions; and general administration and subsidiary services.

Employees Regular employees, working proprietors, active business partners and unpaid family workers, but excluding homemakers.

Enrolment ratio (gross and net) The gross enrolment ratio is the number of students enrolled in a level of education, whether or not they belong in the relevant age group for that level, as a percentage of the population in the relevant age group for that level. The net enrolment ratio is the number of students enrolled in a level of education who belong in the relevant age group, as a percentage of the population in that age group.

Exports of goods and services The value of all goods and non-factor services provided to the rest of the world, including merchandise, freight, insurance, travel

and other non-factor services.

External debt The sum of public, publicly guaranteed and private non-guaranteed long-term debt, use of IMF credit, and short-term debt.

Female-male gap A set of national, regional and other estimates in which all the figures for females are expressed in relation to the corresponding figures for males, which are indexed to equal 100.

Fertility rate (total) The average number of children that would be born alive to a woman during her lifetime, if she were to bear children at each age in accord with prevailing age-specific fertility rates.

Food aid in cereals Cereals provided by donor countries and international organizations, including the World Food Programme and the International Wheat Council, as reported for that particular crop year. Cereals include wheat, flour, bulgur, rice, coarse grain and the cereal components of blended foods.

Food import dependency ratio The ratio of food imports to the food available for internal distribution: that is, the sum of food production plus food imports, minus food exports.

Food production per capita index The average annual quantity of food produced per capita in relation to that produced in the indexed year. Food is defined as comprising nuts, pulses, fruit, cereals, vegetables, sugar cane, sugar beets, starchy roots, edible oils, livestock and livestock products.

Future labour force replacement ratio The population under 15 divided by one-third of the population aged 15 to 59.

Government expenditures Expenditures by all central government offices, departments, establishments and other bodies that are agencies or instruments of the central authority of a country. It includes both current and capital or developmental expenditures but excludes provincial, local and private expenditures.

Greenhouse index Net emissions of three major greenhouse gases (carbon dioxide, methane and chlorofluorocarbons), weighting each gas according to its heat-trapping quality, in carbon dioxide equivalents and expressed in metric tonnes of carbon per capita.

Gross domestic product (GDP) The total output of goods and services for final use produced by an economy, by both residents and non-residents, regardless of the allocation to domestic and foreign claims.

Gross national product (GNP) The total domestic and foreign value added claimed by residents, calculated without making deductions for depreciation. It comprises GDP plus net factor income from abroad, which is the income residents receive from abroad for factor services (labour and capital), less similar payments made to non-residents who contribute to the domestic economy.

Gross national product (GNP) per capita and growth rates The gross national product divided by the population. Annual GNP per capita is expressed in current US dollars. GNP per capita growth rates are annual average growth rates that have been computed by fitting trend lines to the logarithmic values of GNP per capita at constant market prices for each year of the time period.

Health expenditures Expenditures on hospitals, health centres and clinics, health insurance schemes and family planning.

Health services access The percentage of the population that can reach appropriate local health services on foot or by the local means of transport in no more than one hour.

Human development index (HDI) A composite measure of human development containing indicators representing three equally weighted dimensions of human development—longevity (life expectancy at birth), knowledge (adult literacy and mean years of schooling), and income (purchasing power parity dollars per capita).

Human priority areas Basic education, primary health care, safe drinking water, adequate sanitation, family planning and nutrition.

Immunized The average vaccination coverage of children under one year of age for the antigens used in the Universal Child Immunization (UCI) Programme.

Income share The income in both cash and kind accruing to percentile groups of households ranked by total household income.

Infant mortality rate The annual number of deaths of infants under one year of age per 1,000 live births. More specifically, the probability of dying between birth and exactly one year of age times 1,000.

Inflation rate The average annual rate of inflation measured by the growth of the GDP implicit deflator for each period shown.

International reserves (gross) Holdings of monetary gold, Special Drawing Rights (SDRs), the reserve positions of members in the IMF, and holdings of foreign exchange under the control of monetary authorities expressed in terms of the number of months of imports of goods and services these could pay for at the current level of imports.

Labour force The economically active population, including the armed forces and the unemployed, but excluding homemakers and other unpaid caregivers.

Least developed countries A group of developing countries that was established by the United Nations General Assembly. Most of these countries suffer from one or more of the following constraints: a GNP per capita of around \$300 or less, landlocked location, remote insularity, desertification and exposure to natural disasters.

Life expectancy at birth The number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.

Literacy rate (adult) The percentage of persons aged 15 and over who can, with understanding, both read and write a short, simple statement on their everyday life.

Low-birth-weight babies The percentage of babies born weighing less than 2,500 grammes.

Maternal mortality rate The annual number of deaths of women from pregnancy-related causes per 100,000 live births.

Mean years of schooling Average number of years of schooling received per person aged 25 and over.

Military expenditures Expenditures, whether by defence or other departments, on the maintenance of military forces, including for the purchase of military supplies and equipment, construction, recruit-

ing, training and military aid programmes.

Official development assistance (ODA) The net disbursements of loans and grants made on concessional financial terms by official agencies of the members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) to promote economic development and welfare, including technical cooperation and assistance.

ORS access ratio The proportion of the population with a regular supply of oral rehydration salts (ORS) in their community.

Population density The total number of inhabitants divided by the surface area.

Poverty line That income level below which a minimum nutritionally adequate diet plus essential non-food requirements are not affordable.

Primary education Education at the first level (International Standard Classification of Education—ISCED—level 1), the main function of which is to provide the basic elements of education, such as elementary schools and primary schools.

Primary intake rate Number of new entrants into first grade, regardless of age, expressed as a percentage of the population of official admission age for the first level of education.

Primary school completion rate The proportion of the children entering the first grade of primary school who successfully complete that level in due course.

Purchasing power parities (PPP) See *Real GDP per capita*.

Real GDP per capita (purchasing power parities, or PPP) The method of using official exchange rates to convert the national currency figures to US dollars does not attempt to measure the relative domestic purchasing powers of currencies. The United Nations International Comparison Project (ICP) has developed measures of real GDP on an internationally comparable scale using purchasing power parities (PPP) rather than exchange rates as conversion factors, which is expressed in PPP dollars.

Rural-urban disparity A set of national, regional and other estimates in which all the rural figures are expressed in relation to the

corresponding urban figures, which are indexed to equal 100.

Safe water access The percentage of the population with reasonable access to safe water supply, including treated surface waters, or untreated but uncontaminated water such as that from springs, sanitary wells and protected boreholes.

Sanitation access The percentage of the population with reasonable access to sanitary means of excreta and waste disposal, including outdoor latrines and composting.

Science graduates Tertiary education graduates in the natural and applied sciences, including medicine.

Scientists Persons with scientific or technological training—usually taken to mean completion of third-level education in any field of science—who are engaged in professional work in research and development activities, including administrators and directors of such activities.

Secondary education Education at the second level (ISCED levels 2 and 3), based on at least four years' previous instruction at the first level, and providing general or specialized instruction or both, such as middle schools, secondary schools, high schools, teacher training schools at this level and vocational or technical schools.

Secondary technical education Education provided in those second-level schools that aim at preparing the pupils directly for a trade or occupation other than teaching.

Social security benefits Compensation for loss of income for the sick and temporarily disabled; payments to the elderly, the permanently disabled and the unemployed; family, maternity and child allowances and the cost of welfare services.

South-North gap A set of national, regional and other estimates in which all figures are expressed in relation to the corresponding average figures for all the industrial countries, indexed to equal 100.

Technicians Persons engaged in scientific research and development activities

who have received vocational or technical training for at least three years after the first stage of second-level education.

Terms of trade The ratio of a country's index of average export prices to its index of average import prices.

Tertiary education Education at the third level (ISCED levels 5, 6 and 7), such as universities, teachers colleges and higher professional schools—requiring as a minimum condition of admission the successful completion of education at the second level or evidence of the attainment of an equivalent level of knowledge.

Trade dependency Exports plus imports as a percentage of GDP.

Transition from first- to second-level education Number of new entrants into secondary general education, expressed as a percentage of the total number of pupils in the last grade of primary education in the previous year.

Under-five mortality rate The annual number of deaths of children under five years of age per 1,000 live births averaged over the previous five years. More specifically, the probability of dying between birth and exactly five years of age times 1,000.

Underweight (moderate and severe child malnutrition) The percentage of children, under the age of five, below minus two standard deviations from the median weight-for-age of the reference population.

Unemployment The unemployed comprise all persons above a specified age who are not in paid employment or self-employed, are available for paid employment or self-employment and have taken specific steps to seek paid employment or self-employment.

Water sources, internal renewable The average annual flow of rivers and aquifers generated from endogenous precipitation.

Years of life lost to premature death The sum of the years lost to premature death per 1,000 people, conveying the burden of mortality in absolute terms.

Classification of countries

Countries in the human development aggregates

<i>High human development (HDI 0.800 and above)</i>		<i>Medium human development (HDI 0.500 to 0.799)</i>		<i>Low human development (HDI below 0.500)</i>	
Argentina	Uruguay	Albania	Samoa	Afghanistan	Togo
Armenia	USA	Algeria	Saudi Arabia	Angola	Uganda
Australia	Venezuela	Antigua and Barbuda	Seychelles	Bangladesh	Vanuatu
Austria		Azerbaijan	South Africa	Benin	Yemen
Bahamas		Bahrain	Sri Lanka	Bhutan	Zaire
Barbados		Belize	Suriname	Burkina Faso	Zambia
Belarus		Bolivia	Swaziland	Burundi	Zimbabwe
Belgium		Botswana	Syrian Arab Rep.	Cambodia	
Brunei Darussalam		Brazil	Tajikistan	Cameroon	
Bulgaria		China	Thailand	Cape Verde	
Canada		Cuba	Tunisia	Central African Rep.	
Chile		Dominica	Turkey	Chad	
Colombia		Dominican Rep.	Turkmenistan	Comoros	
Costa Rica		Ecuador	United Arab Emirates	Congo	
Cyprus		Egypt	Uzbekistan	Côte d'Ivoire	
Czechoslovakia		El Salvador	Viet Nam	Djibouti	
Denmark		Fiji		Equatorial Guinea	
Estonia		Gabon		Ethiopia	
Finland		Georgia		Gambia	
France		Grenada		Ghana	
Germany		Guatemala		Guinea	
Greece		Guyana		Guinea-Bissau	
Hong Kong		Honduras		Haiti	
Hungary		Indonesia		India	
Iceland		Iran, Islamic Rep. of		Kenya	
Ireland		Iraq		Lao People's Dem. Rep.	
Israel		Jamaica		Lesotho	
Italy		Jordan		Liberia	
Japan		Kazakhstan		Madagascar	
Korea, Rep. of		Korea, Dem. Rep. of		Malawi	
Kuwait		Kyrgyzstan		Mali	
Latvia		Lebanon		Mauritania	
Lithuania		Libyan Arab Jamahiriya		Mozambique	
Luxembourg		Malaysia		Myanmar	
Malta		Maldives		Namibia	
Mexico		Mauritius		Nepal	
Netherlands		Moldova, Rep. of		Niger	
New Zealand		Mongolia		Nigeria	
Norway		Morocco		Pakistan	
Panama		Nicaragua		Papua New Guinea	
Poland		Oman		Rwanda	
Portugal		Paraguay		São Tomé and Príncipe	
Russian Federation		Peru		Senegal	
Singapore		Philippines		Sierra Leone	
Spain		Qatar		Solomon Islands	
Sweden		Romania		Somalia	
Switzerland		Saint Kitts and Nevis		Sudan	
Trinidad and Tobago		Saint Lucia		Tanzania,	
Ukraine		Saint Vincent		U. Rep. of	

Countries in the income aggregates

<i>High-income</i> (GNP per capita above \$6,000)	<i>Middle-income</i> (GNP per capita \$651 to \$6,000)		<i>Low-income</i> (GNP per capita \$650 and below)
Australia	Albania	Paraguay	Afghanistan
Austria	Algeria	Peru	Bangladesh
Bahamas	Angola	Philippines	Benin
Bahrain	Antigua and Barbuda	Poland	Bhutan
Barbados	Argentina	Romania	Burkina Faso
Belgium	Armenia	Russian Federation	Burundi
Brunei Darussalam	Azerbaijan	Saint Kitts and Nevis	Cambodia
Canada	Belarus	Saint Lucia	Central African Rep.
Cyprus	Belize	Saint Vincent	Chad
Denmark	Bolivia	Samoa	China
Finland	Botswana	Senegal	Comoros
France	Brazil	Seychelles	Djibouti
Germany	Bulgaria	Solomon Islands	Egypt
Greece	Cameroon	South Africa	Equatorial Guinea
Hong Kong	Cape Verde	Suriname	Ethiopia
Iceland	Chile	Swaziland	Gambia
Ireland	Colombia	Syrian Arab Rep.	Ghana
Israel	Congo	Tajikistan	Guinea
Italy	Costa Rica	Thailand	Guinea-Bissau
Japan	Côte d'Ivoire	Trinidad and Tobago	Guyana
Korea, Rep. of	Cuba	Tunisia	Haiti
Kuwait	Czechoslovakia	Turkey	Honduras
Luxembourg	Dominica	Turkmenistan	India
Malta	Dominican Rep.	Ukraine	Indonesia
Netherlands	Ecuador	Uruguay	Kenya
New Zealand	El Salvador	Uzbekistan	Lao People's Dem. Rep.
Norway	Estonia	Vanuatu	Lesotho
Oman	Fiji	Venezuela	Liberia
Portugal	Gabon	Zimbabwe	Madagascar
Qatar	Georgia		Malawi
Saudi Arabia	Grenada		Maldives
Singapore	Guatemala		Mali
Spain	Hungary		Mauritania
Sweden	Iran, Islamic Rep. of		Mozambique
Switzerland	Iraq		Myanmar
United Arab Emirates	Jamaica		Nepal
United Kingdom	Jordan		Nicaragua
USA	Kazakhstan		Niger
	Korea, Dem. Rep. of		Nigeria
	Kyrgyzstan		Pakistan
	Latvia		Rwanda
	Lebanon		São Tomé and Príncipe
	Libyan Arab Jamahiriya		Sierra Leone
	Lithuania		Somalia
	Malaysia		Sri Lanka
	Mauritius		Sudan
	Mexico		Tanzania, U. Rep. of
	Moldova, Rep. of		Togo
	Mongolia		Uganda
	Morocco		Viet Nam
	Namibia		Yemen
	Panama		Zaire
	Papua New Guinea		Zambia

Countries in the major world aggregates

Least developed countries

All developing countries

Industrial countries

Afghanistan	Afghanistan	Grenada	Papua New Guinea	Albania
Bangladesh	Algeria	Guatemala	Paraguay	Armenia
Benin	Angola	Guinea	Peru	Australia
Bhutan	Antigua and Barbuda	Guinea-Bissau	Philippines	Austria
Botswana	Argentina	Guyana	Qatar	Azerbaijan
Burkina Faso	Bahamas	Haiti	Rwanda	Belarus
Burundi	Bahrain	Honduras	Saint Kitts and Nevis	Belgium
Cambodia	Bangladesh	Hong Kong	Saint Lucia	Bulgaria
Cape Verde	Barbados	India	Saint Vincent	Canada
Central African Rep.	Belize	Indonesia	Samoa	Czechoslovakia
Chad	Benin	Iran, Islamic Rep. of	São Tomé and Príncipe	Denmark
Comoros	Bhutan	Iraq	Saudi Arabia	Estonia
Djibouti	Bolivia	Jamaica	Senegal	Finland
Equatorial Guinea	Botswana	Jordan	Seychelles	France
Ethiopia	Brazil	Kenya	Sierra Leone	Georgia
Gambia	Brunei Darussalam	Korea, Dem. Rep. of	Singapore	Germany
Guinea	Burkina Faso	Korea, Rep. of	Solomon Islands	Greece
Guinea-Bissau	Burundi	Kuwait	Somalia	Hungary
Haiti	Cambodia	Lao People's Dem. Rep.	South Africa	Iceland
Lao People's Dem. Rep.	Cameroon	Lebanon	Sri Lanka	Ireland
Lesotho	Cape Verde	Lesotho	Sudan	Israel
Liberia	Central African Rep.	Liberia	Suriname	Italy
Madagascar	Chad	Libyan Arab Jamahiriya	Swaziland	Japan
Malawi	Chile	Madagascar	Syrian Arab Rep.	Kazakhstan
Maldives	China	Malawi	Tanzania, U. Rep. of	Kyrgyzstan
Mali	Colombia	Malaysia	Thailand	Latvia
Mauritania	Comoros	Maldives	Togo	Lithuania
Mozambique	Congo	Mali	Trinidad and Tobago	Luxembourg
Myanmar	Costa Rica	Mauritania	Tunisia	Malta
Nepal	Côte d'Ivoire	Mauritius	Turkey	Moldova, Rep. of
Niger	Cyprus	Mexico	Uganda	Netherlands
Rwanda	Djibouti	Mongolia	United Arab Emirates	New Zealand
Samoa	Dominica	Morocco	Uruguay	Norway
São Tomé and Príncipe	Dominican Rep.	Mozambique	Vanuatu	Poland
Sierra Leone	Ecuador	Myanmar	Venezuela	Portugal
Solomon Islands	Egypt	Namibia	Viet Nam	Romania
Somalia	El Salvador	Nepal	Yemen	Russian Federation
Sudan	Equatorial Guinea	Nicaragua	Zaire	Spain
Tanzania	Ethiopia	Niger	Zambia	Sweden
Togo	Fiji	Nigeria	Zimbabwe	Switzerland
Uganda	Gabon	Oman		Tajikistan
Vanuatu	Gambia	Pakistan		Turkmenistan
Yemen	Ghana	Panama		Ukraine
Zaire				United Kingdom
Zambia				USA
				Uzbekistan

Countries in the regional aggregates

<i>Sub-Saharan Africa</i>	<i>Arab States</i>	<i>East Asia</i>	<i>OECD</i>	<i>Nordic countries</i>
Angola	Algeria	China	Australia	Denmark
Benin	Bahrain	Hong Kong	Austria	Finland
Botswana	Egypt	Korea, Dem. Rep. of	Belgium	Iceland
Burkina Faso	Iraq	Korea, Rep. of	Canada	Norway
Burundi	Jordan	Mongolia	Denmark	Sweden
Cameroon	Kuwait		Finland	
Cape Verde	Lebanon	<i>South-East Asia</i>	France	<i>Southern Europe</i>
Central African Rep.	Libyan Arab Jamahiriya	<i>and Oceania</i>	Germany	
Chad	Morocco		Greece	Greece
Comoros	Oman	Brunei Darussalam	Iceland	Italy
Congo	Qatar	Cambodia	Ireland	Malta
Côte d'Ivoire	Saudi Arabia	Fiji	Italy	Portugal
Djibouti	Syrian Arab Rep.	Indonesia	Japan	Spain
Equatorial Guinea	Tunisia	Lao People's Dem. Rep.	Luxembourg	
Ethiopia	United Arab Emirates	Malaysia	Netherlands	<i>European Union</i>
Gabon	Yemen	Myanmar	New Zealand	
Gambia		Papua New Guinea	Norway	Belgium
Ghana	<i>Latin America</i>	Philippines	Portugal	Denmark
Guinea	<i>and the Caribbean</i>	Samoa	Spain	France
Guinea-Bissau		Singapore	Sweden	Germany
Kenya	Antigua and Barbuda	Solomon Islands	Switzerland	Greece
Lesotho	Argentina	Thailand	United Kingdom	Ireland
Liberia	Bahamas	Vanuatu	USA	Italy
Madagascar	Barbados	Viet Nam		Luxembourg
Malawi	Belize		<i>Eastern Europe</i>	Netherlands
Mali	Bolivia	<i>South Asia</i>		Portugal
Mauritania	Brazil	Afghanistan	Albania	Spain
Mauritius	Chile	Bangladesh	Bulgaria	United Kingdom
Mozambique	Colombia	Bhutan	Czechoslovakia	
Namibia	Costa Rica	India	Hungary	<i>Non-European</i>
Niger	Cuba	Iran, Islamic Rep. of	Poland	<i>countries</i>
Nigeria	Dominica	Maldives	Romania	
Rwanda	Dominican Rep.	Nepal		Australia
São Tomé and Príncipe	Ecuador	Pakistan	<i>Successor states of the</i>	Canada
Senegal	El Salvador	Sri Lanka	<i>former Soviet Union</i>	Israel
Seychelles	Grenada			Japan
Sierra Leone	Guatemala		Armenia	New Zealand
Somalia	Guyana		Azerbaijan	USA
South Africa	Haiti		Belarus	
Sudan	Honduras		Estonia	<i>North America</i>
Swaziland	Jamaica		Georgia	
Tanzania, U. Rep. of	Mexico		Kazakhstan	Canada
Togo	Nicaragua		Kyrgyzstan	USA
Uganda	Panama		Latvia	
Zaire	Paraguay		Lithuania	
Zambia	Peru		Moldova, Rep. of	
Zimbabwe	Saint Kitts and Nevis		Russian Federation	
	Saint Lucia		Tajikistan	
	Saint Vincent		Turkmenistan	
	Suriname		Ukraine	
	Trinidad and Tobago		Uzbekistan	
	Uruguay			
	Venezuela			