Funding Human Development

ALTHOUGH Africa and other developing regions require more effective international assistance to further their human development goals, much additional financing can be found from within the countries themselves, argues the UN Development Programme (UNDP) in a recent study. "There is no paucity of financial resources in most national budgets if the political will is there to restructure existing priorities," says Dr Mahbub ul Haq, who oversaw the work on the Human Development Report 1991.

Besides reducing economic inefficiencies, corruption and capital flight, cutting military spending in developing countries offers one way in which funds can be released for health, education and other social sectors, stresses the report. Even merely freezing existing military budgets could make available more than $10 billion a year that would otherwise be used by the armed forces if military expenditures continued to grow at their current rate. And if the industrial countries reduced their military spending by just 3 per cent annually, an additional $25 billion a year would be released.

In a similar vein, the African Development Bank (ADB), in a special section on human resources in its African Development Report 1991, compares military and health budgets in 14 African countries. It points out that the ratio of military to health expenditures has reached 231 in Chad, 165 in Ethiopia, 323 in Uganda and 250 in Zaire. Stressing that greater resources need to be found to increase health spending to at least 2 per cent of gross national product (GNP), the ADB report noted that "the source of this extra money is obvious."

Although some African countries allocate a significant portion of their budgets to military expenditures, the pattern for sub-Saharan Africa as a whole is not as pronounced as in most other developing regions. Only Latin America spends less on arms and military forces than on health and education, according to the Human Development Report.

Shifts in budgetary priorities are vital if human resources — the foundation of the development process — are to be adequately strengthened, says the UNDP report. It recommends that spending reach the equivalent of at least 5 per cent of GNP for the "human priority" areas — which in the poorer countries will generally include basic education, primary health care and the extension of basic water systems to disadvantaged urban and rural areas.

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The ADB study, for its part, suggests a figure of 6 per cent of gross domestic product for health and education spending. In addition, it proposes a reallocation of budgetary expenditure, investment and credit, shifting the priorities from urban to rural, from tertiary to primary sectors and from the well-of to the poor. Taken together, such policy initiatives will help African countries advance toward such goals as food self-sufficiency, a doubling of adult literacy — while eliminating the female differential — universal primary school enrolment and extension of primary health care to the villages.

Greater production energies can also be released by setting up local networks of child-care clubs to free up women's labour time and establishing small-scale employment-creation and vocational training schemes, says the African Development Report. These will largely depend on local resources, but development finance institutions, such as the ADB itself, should find ways to finance local self-help projects.

The UNDP believed that donors in general can mobilize more resources for human development by "restructuring their aid budgets." The Human Development Report notes that on average, only one-twelfth of official development assistance is now earmarked for human priority goals. Moreover, donor performance in this area is highly uneven, with the Nordic countries devoting about eight times as much of their GNP for aid to human priorities concerns as does the US, for example.

Each donor country should earmark at least 20 per cent of its aid for social sectors, says the report, and within that amount it should allocate at least 40 per cent for the human priorities. Such a restructuring can have a major impact in Africa, where external aid constitutes a high proportion of the development budgets of many countries.

In analyzing human development needs, the UNDP study ranks 160 countries, not according to their relative per capita incomes, as other reports on world development often do, but according to their success in alleviating poverty and in providing adequate health care, education and nutrition to their people, as measured by a composite Human Development Index (HDI). "People should be put at the centre of development, and not just income," says Dr Haq.

Some countries with relatively higher per capita incomes scored poorly in human development, while some other, with low per capita incomes, made impressive improvements in literacy, chile survival and other social indicators.

Considerable variations also occurred when gender and income-distribution factors were taken into account. Of 30 countries for which enough information was available for the UNDP to derive a "gender sensitive" HDI, only one — Kenya — was African. While all 30 countries fell in their human development ratings when sexual disparities were considered, Kenya fell the most. Of six African countries included in a sample of 53 for which the HDI was adjusted for income distribution, all dropped to some degree, with Cote d'Ivoire registering the greatest decline in Africa.

Although Africa has made considerable progress in human development since the 1960s, it still has the lowest human indicators in the world. Nevertheless, stresses UNDP, "The potential is there. Africa has the people and natural resources to create a much more prosperous future. But it will require substantial human investment, as well as a major restructuring of economic policies." *(UNIC Dhaka)*

Asia's Debt Problems Less Threatening

Alan Chalkley writes from Hong Kong

ASIAN countries can congratulate themselves. Once regarded as the poorest and weakest on earth, Asian countries now do not figure much on the lists of indebted nations.

Start date	01.03.91		03.09.90		01.09.89		01.09.88	
End date	16.09.91		16.09.91		16.09.91		16.09.91	
			A	B	A	B	A	B
Barclays ASF Korea	15.72	1	---	---	---	---	---	---
Barclays ASF Thailand	6.79	2	---	---	---	---	---	---
Fidelity Fds Singapore	1.65	3	---	---	---	---	---	---
Barclays ASF Singapore	1.63	4	---	---	---	---	---	---
Fidelity Fds Malaysia	0.25	5	---	---	---	---	---	---
CEF Thai	-2.86	6	-17.76	15	15.76	5	---	---
Korea Growth	-3.07	7	8.38	2	-30.11	12	9.01	11
Mercury ST Singapore & Malay	-3.76	8	-2.03	4	18.44	4	60.05	5
Fidelity Fds Thailand	-4.03	9	---	---	---	---	---	---
Baring Malaysia & Singapore	-4.29	10	-4.05	6	25.87	1	109.10	1

This chart shows the performance of the top ten single country funds. To date, 36 SFC-authorised Asian Single Country funds have had their performance tracked by Micropal for more than six months. — Photo: Executive

Asia's debt problems are far less threatening. Most countries in the region, including giant China, have comfortable reserves. Indeed, several have large surpluses.

Much attention has been given to the burden of foreign debt borne by some 20 countries in Latin America, Africa and Eastern Europe. The debt crisis began in 1982, when Mexico announced it had to stop paying its foreign obligations.

The world debt tally soared for the next seven years and has only recently begun to level off.

Now heavy debts, and deficits have crept across into what are called the "developed" or "industrialised" countries. It came as a shock in recent times to learn that the United States had become one of the world's biggest debtors.

Time was, 40 years ago, when it seemed that the US had nearly all the money-power in the world.

Even in the United Kingdom, a leading bank referred to the "crazy peaks of borrowing" indulged in by companies and individuals in England. As in America, there has been an explosive boom in property values in Britain, and mortgage finance have piled up which are now unserviceable.

And in Japan, where the people have long has a reputation for husbanding their money very carefully, a steep surge in consumer spending has overtaken real incomes. For the first time in the post-1945 period, Japan's banks are facing a growing pile of bad debts.

The question is : what countries now have the money-power that used to be wielded by countries like America and Britain for so long? The answer is not easily found — no one country can be regarded as the paramount money-power today.

Who holds or controls the big reserves of foreign currency? Taiwan, West Germany and Japan; Singapore, Hong Kong and Brunei; Switzerland, Liechtenstein and Luxembourg; and a few small countries which are "tax havens."

But none of these are equipped to be, and in fact none want to be, international money powers. Most do not have the banking and investment system to organise worldwide money flows. Most have tiny local currencies (it would be difficult to finance world trade using the Taiwan dollar or the Luxembourg franc).

So, who really has the money-power? Not countries at all — but bank groups, and big international corporations.

Japan's Dai-Ichi Kangyo Bank has more values on its balance sheet than the total output of half the member-countries of the United Nations. Royal Dutch-Shell, Mitsubishi and the American Express group handle flows of funds which are larger than half the world's national budgets.

Some observers regard this situation with alarm. They fear that the world is becoming a colony of Big Business, and that Big Business is greedy, grasping and inhuman. But it does not work out that way in practice.

The banks and the corporations are in competition over much of the world, and this tends to restrict the power of any one unit. There are some "joint ventures," some cartel agreements — but the old days of the big trusts and monopolies, in the earlier years of this century, are long over.

On the whole, the funds which are deployed round the world by the banks and Big-Business are directed at capital-building, the formation of real productive assets to create the better incomes of the future. There is less "aid," there are fewer subsidies and political contributions than there used to be. The Cold War is fading, and so the massive flow of "Political money" has fallen sharply.

Then there is another question: why has the over-borrowing "disease" spread so wide? What fever has hit the people of so many countries, so that they run into debt far beyond their capacity to repay?

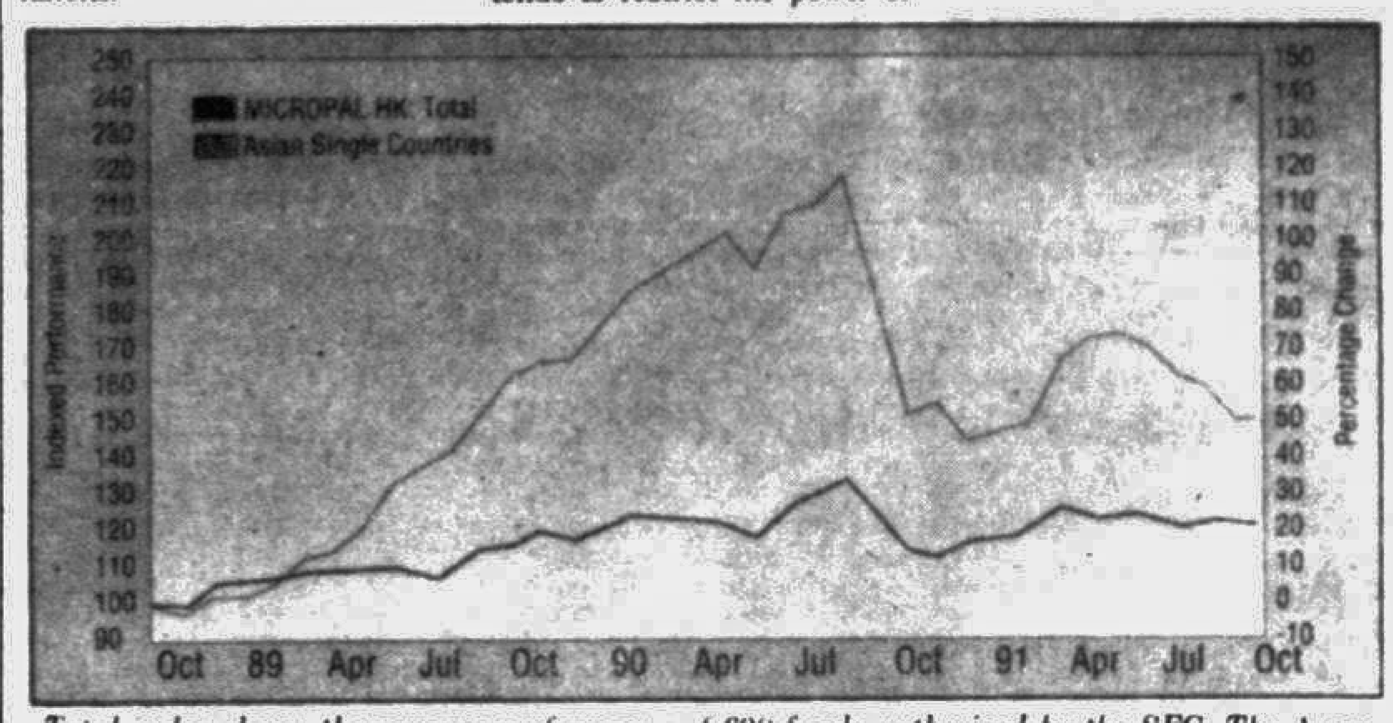
The disease is psychological, and so there must be moral cures. But do today's generations believe that there is such a thing as morality? Sadly, one must wonder.

There are harsh "cures" for this disease, which might well occur in these spendthrift countries. A sudden and catastrophic fall in the incomes of all the people could happen in the US or Britain, for instance. That would stop the over-borrowing!

Such a deep income crisis is already visible in Russia and parts of Eastern Europe, for instance. And hand-to-mouth misery has been the fate of millions in northeastern Africa and the margins of the Sahara for many years now.

We live in a strange interlude in world economic history, with new poor countries and new rich countries. Money power has flown swiftly from one set of economic agents to another, in the space of a decade or less. Is this the "new world order" of which some leaders are speaking?

— Depthnews Asia



Total index shows the average performance of 690 funds authorised by the SFC. The Asian Single Country index represents the average performance of 36 SFC authorised single country funds.

Underground Economy Flourishes in Township Squalor

Arlene Getz writes from Khayelitsha, South Africa

ON a dusty township road where drawn-looking women sell sheep brains amid heaps of rubbish, Wellington Ndlebe has set up a construction business. It is a pitiful affair by most standards : there is no showroom or storage facility, just four men with hammers and a petrol driven saw working on an open patch of dirt. Locals call the area Cavendish Square.

This street of makeshift stalls bears no resemblance to the "real" Cavendish Square in nearby Cape Town, a fancy shopping centre boasting designer boutiques and gourmet foodshops in suburb about 25 miles away from the impoverished sprawl of Khayelitsha.

Yet if the name of the street is a joke, the desperate entrepreneurship displayed by blacks like Ndlebe is anything but. Rather, he and fellow traders represent a growing South African phenomenom : a burgeoning informal economy in the black townships.

The main reason for this quiet economic revolution is less a drive towards capitalism than a bitter struggle to stay alive in a country with no real social security net.

South Africa's battered business sector simply cannot provide jobs for an expanding labour force. Current unemployment is estimated at 35 to 45 per cent and statistics released in October indicate that under nine per cent of the 390,000 people who entered the workplace between 1985 and 1990 found jobs.

For most of the others, the only alternative is to enter the parallel economy. One recent study suggests that more than half the country's unemployed have found work in the sector. Another estimates that at least 635,000 unrecorded, non-taxable informal businesses employ between three and four million people.

Behind these statistics, ubiquitous Cavendish Squares have sprung up in the face of seemingly insurmountable odds.

Apart from endemic violence — Khayelitsha is currently racked by a war between rival taxi companies that has left at least 20 dead — would-be township traders often must overcome a lack of water, electricity and rubbish removal.

Hairdressers offering perms for prices ranging from $3.50 to $58 collect water from communal taps and heat it on gas stoves. Traders buy ice from passing trucks to keep their goods fresh.

Those trying to launch more ambitious undertakings face even greater problems. Insurance companies are reluctant to ensure stock stored in crime-ribbed squatter camps and a functional illiteracy rate estimated at almost 68 per cent makes it impossible for many entrepreneurs to complete simple tasks such as opening a bank account or applying for a telephone.

In spite of these difficulties, many informal business people are satisfied with their modest takings.

Faced with high unemployment and no real social security net, people in the South African townships are turning to an unregulated, informal economy. The so-called grey market is now thought to account for 40 per cent of South Africa's economic output. Gemini News Service reports on a growing sector which trades in everything from meat and leather goods to groceries and prefabricated bungalows.

"My business is doing well," said Ndlebe, 63. A former tailor who came to Khayelitsha from rural Transkei in 1985, he started his wood business three years later. Today, he supplies one of the township's most basic needs by building 10 foot by eight foot wooden huts for the hundreds of homeless who flock into Cape Town's fastest-growing township every week.

Ndlebe sells three or four of his tiny instant bungalows a week for $250 each. Little is left over after he has paid $70 for his wood, wages for four workers and maintenance costs for the truck used to deliver the shacks, but he seems happy to take home a weekly profit of $70. "I've got a lot of people to support," he says.

Near Ndlebe's open-air operation, Bethwell Vanqa runs a shop in the middle of a cluster of shanties. The only indication that his establishment differs from the other crowded shacks is a small red and white Coca-Cola sign placed discretely on the roof. The sign does not mean that Vanqa sells Coke; it is the universal signal denoting a black a market, or spaza.

Spaza is township slang for hidden, and dates from the days in which such stores were illegal and needed to be camouflaged from the authorities. Although now allowed to operate, the name has remained.

"I make a good living," said Vanqa, 32. A one-time panel beater, he has run the store with his wife Cynthia for three years. "People come here and, it's running every well. But we have a problem sometimes with people who can't pay their bills."

Like most spaza shops, Vanqa's staple stock is made up of items such as rice, maize and soap powder. He also boasts the comparative luxury of a gas fridge to keep drinks cool.

Sales usually average about $350 a week, but his expenses — payments to a wholesaler for stock and repayments on a loan — absorb about 80 per cent of his takings. Still, Vanqa says, he and his wife manage to feed their four children on the remaining $70 a month.

While individual sums may be small, the total amounts generated nationwide are large enough to have a significant effect on the economy. Some economists believe the informal sector could be producing up to 40 per cent of South Africa's gross domestic product. Others estimate it generates an income of $5.3 billion to $7 billion.

These figures inevitably attract the attention of white-owned big business. Wholesalers drawn by the cumulative buying power of spaza shops are trying to accommodate black entrepreneurs, while retailers have become more willing to buy goods made by the township self-employed.

Further help is given by organisations such as the Small Business Development Corporation, which offers loans ranging from $70 to $76,000, and the Triple Trust Organisation, which runs training schemes to teach skills such as sewing and leather work.

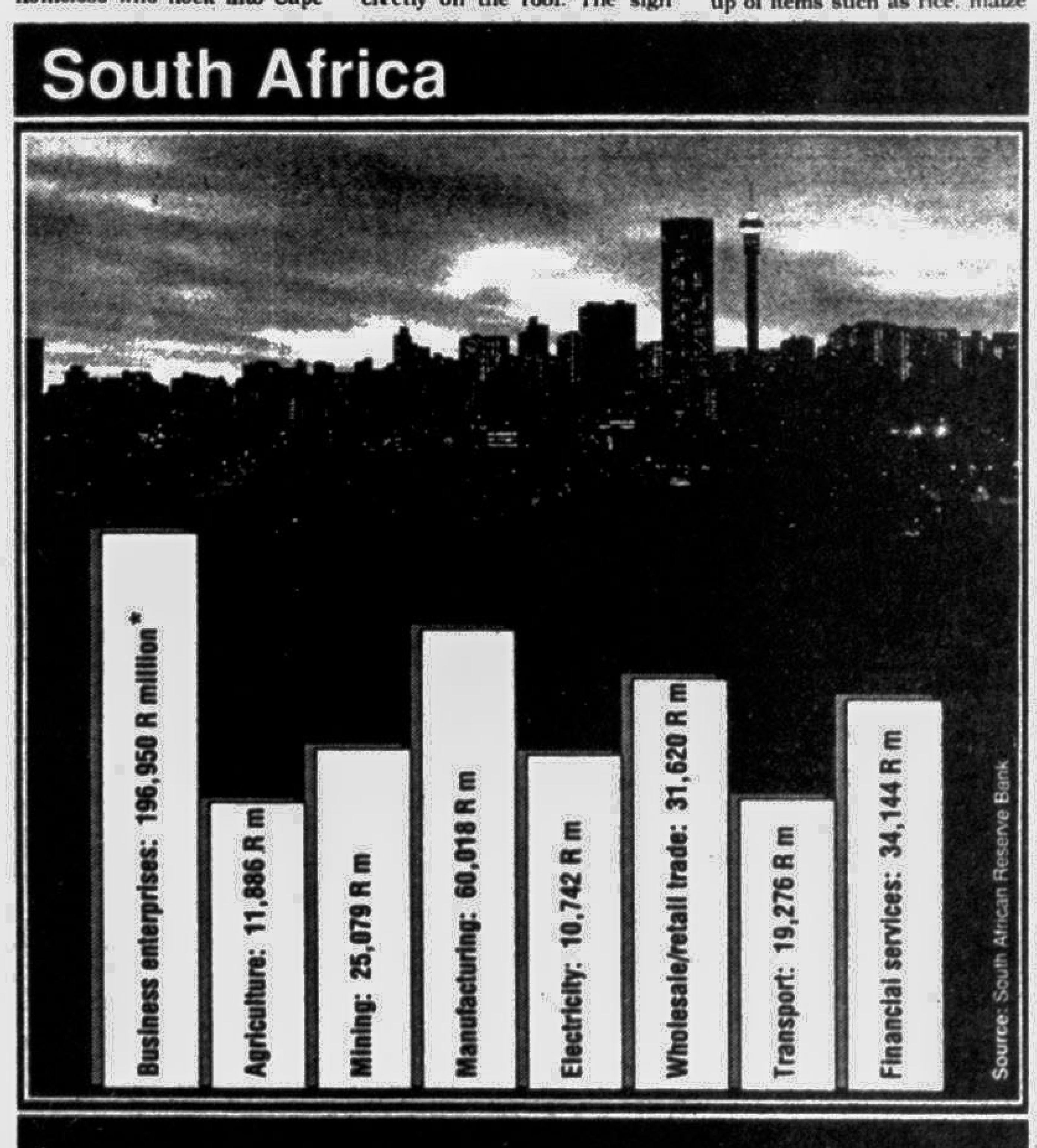
Government, too, has taken a surprisingly laissez-faire attitude to those who ignore its regulations about unregistered businesses.

One particularly striking example of its new approach came recently at a Cap Town meeting to discuss the uncontrolled slaughter of animals by township meat traders. In spite of the obvious hazards posed by this practice — blood seeps into storm water drains and discarded offal attracts flies — officials made it clear they did not intend to take any action against butchers who killed animals at bus stations for sale to commuters.

Instead, a senior health official, who once enforced such stringent regulations that even outdoor hot dog stands were forbidden until recently, promised the traders and exemption from laws requiring that animals be killed in abbatoirs on condition they started slaughtering at a place with drains and taps.

"We're here to educate, not prosecute," explained one health inspector.

Arlene Getz is a freelance journalist based in Cape Town who regularly contributes to Newsweek magazine and the Sydney Morning Herald.



*1990 Gross Domestic Product by kind of economic activity: Rand million

Total GDP: 234,716 R million One US Dollar = 2.83 Rand 2530

Laos Emerges Attractive Place for Investment

Economically liberalising Laos is emerging as the most attractive place in Indochina for foreign investors, reports Richard Ehrlich.

THE tiny, seemingly comatose nation of Laos is awakening from years of war, communism and poverty with the help of free-spending foreign investors.

Dazzled by hopes of earning millions of dollars and desperate to catch up with a world that has long passed it by, the fabled "land of a million elephants" now wants to be the land of a million deals.

Gold, minerals, oil, gems, tourist sites, animal husbandry, agriculture, banking, transportation, construction and other chunks of the South-east Asian nation's resources are up for grabs. Even airports, roads, ports and other key facilities want foreign investment.

The Lao government has laid aside its communist hammer and sickle emblems and now produces slick advertisements which tout the nation's resources, new privatisation policies, manufacturing and services.

Despite being one of the poorest nations on earth and lacking a sea cost, railroad or even a bridge to get across its vital Mekong River Border, Laos is seen by foreign businessmen as the best place in Indochina to make money with the least possible risk.

"I don't think anybody is making a lot of money now, but they feel there are possibilities," said Steve Rothstein, director of Mekong Applied Computer Systems which wants to sell computer hardware and software equipment and provide a business services centre in Vientiane, the capital.

"Things are changing for the better," said Rothstein. "Not as fast as everyone would like, but the Lao are very helpful, they're really eager for people to come up."

Laos, a former French colony, recently unveiled liberal foreign investment laws and restructured its economy towards capitalism.

Politically, however, it has vowed to remain a one-party system, rejecting multi-party democracy.

Some foreign businessmen say they are turned on to Laos because neighbouring Cambodia and Vietnam are too politically turbulent.

Cambodia is edging towards peace after more than 20 years of war. But the return of Pol Pot's Khmer Rouge to share power is causing some foreigners to wait and see until after the United Nations-supervised polls.

Vietnam is still an official "enemy" of the United States and is thus embargoed by the World Bank and other major financial institutions, making trade, credit and licensing too convoluted for US-based businesses.

This leaves sleepy, sparsely populated, rustic Laos looking relatively good. Vientiane maintains cordial relations with Washington, enjoys World Bank support and suffers only rare, pinprick rebel raids.

"Vientiane is a pleasant place to live in and the government has a chance to keep it that way whereas Phnom Penh and Saigon are suffering from social problems," said Rothstein, a US citizen.

According to Jingjai Hanchanlash, regional director of the Singapore-based, Canadian government-funded International Development Research Centre, "Laos is quite open now, the bureaucratic hurdles have been minimised although infrastructure problems are still there".

Hanchanlash said the best exports to Laos should be technology-orientated, such as food processing and packaging or other hi-tech specialised fields.

Laos' other problems include its obstructive banks, inadequate insurance, confusion over the new liberalised economy's laws, a low ability to absorb new technology and a lack of educated, skilled or confident personnel. Added to these are wretched communications and poor roads.

A brain drain following the ouster by communists of the US-backed Laotian government in 1975 has weakened Laos. About 10 per cent of the population fled, including ethnic Hmong and intellectuals. More than 180,000 Laotians now live in the United States, 80,000 in France and 10,000 in Australia.

If you want to sell to Laos, businessmen say, be prepared for a miniature market. There are only about four million people in the entire nation, including an estimated 400,000 in Vientiane, the biggest city.

But such a small lake allows individuals to be big fish. A Russian has opened a private airline, flying charters and regular internal schedules, according to Rothstein.

Anthony M. Zola, president of the Bangkok-based Midas Agronomics, said modest That, Vietnamese and Chinese commerce with Laos is also slowly expanding. — IPS