

## HUMAN DEVELOPMENT REPORT 1993

**LATEST HUMAN DEVELOPMENT REPORT SAYS 90% OF WORLD'S PEOPLE LACK CONTROL OVER THEIR OWN LIVES, CITES "JOBLESS GROWTH," EXCLUSION OF MINORITIES, CENTRALIZED POWER AS TARGETS FOR CHANGE.**

**U.S. White Population World Rank First on Human Development Index, While Black and Hispanic Populations Would Rank with Developing World, Says Book Produced for United Nations Development Programme. Report Stresses Security of People, Not Just Nations.**

**In three years since first issued, the professionally independent report has sparked parliamentary debate and encouraged more than 20 developing countries to change their development paths, UNDP says.**

**UNDP, 25 May, 1993** - Ninety per cent of the world's people have no control over their lives, in spite of recent changes around the world favouring market economies, multi-party democracies and grass roots activities, says the *Human Development Report 1993*.

"Many of today's struggles are more than struggles for access to Political power," says William H. Draper III, UNDP Administrator, in a foreword to the report. "They are struggles for access to the ordinary opportunities of life - land, water, work, living space and basic social services."

The report, prepared by an independent team of economists for the United Nations Development Programme (UNDP) and published by Oxford University Press USA, shows that ethnic minorities, the poor, rural dwellers, women, and the disabled often have little power to change their lives. This disempowerment can even extend to entire countries.

Mahbub ul Haq, former Finance and Planning Minister of Pakistan and now Special Adviser to the Administrator and chief architect of the report, says the basic message of human development has not changed: economic growth is imperative for a nation's development, but this growth must be translated into the lives of people. "Income is essential", says Dr. Haq, "but it is only a means, not the sum total of human life". People make many choices besides making money which affect their lives, in areas ranging from health and education to employment and the way they are governed.

To make the point, the report ranks countries by a Human Development Index (HDI), which combines life expectancy, educational attainment and basic purchasing power into one indicator of human development. The countries with the highest incomes are not always those with highest HDI ranking. In 1993, Japan ranks first

on the HDI although sixth in real gross domestic product (GDP). Canada is second in HDI, followed in order by Norway, Switzerland, Sweden, USA (first in income), Australia, France, the Netherlands, and the United Kingdom. Among developing countries, Barbados is first with a ranking of 20, followed by Hong Kong (24), Cyprus (27), Uruguay (30), Trinidad and Tobago (31), Bahamas (32), Republic of Korea (33), Chile (36), Costa Rica (42) and Singapore (43).

The need for improved levels of human development is not limited to developing countries. To highlight the exclusion of the ethnic minorities from participating fully in economic and social benefits, the 1993 report ranked the white, African-American and Hispanic populations of the United States on the HDI as if they were separate countries. The white population would rank first on the HDI, ahead of Japan, while African-Americans, with lower life expectancy, income and education levels, would rank 31st, the same as Trinidad and Tobago. Hispanics in the U. S. would rank 35th among countries, below the Bahamas, Republic of Korea and Estonia. Studies of other countries show many other groups such as the poor, women and rural dwellers are excluded from participation as well.

The report says that after reviewing patterns of participation - and exclusion - around the world, "it seems likely that fewer than 10 per cent of the world's people participate fully in political, economic, social and cultural life."

To promote societies built around people's genuine needs, the report calls for "five new pillars of a people-centred world order":

1. New concepts of human security that stress security of people, not just of nations and territory.

This means accelerated disarmament, using defence cuts to boost human development. It means a new role for the United Nations, increasingly intervening to provide human security in areas such as the former Yugoslavia and in Somalia, where people are fighting within countries rather than between countries.

2. **New strategies of sustainable human development** that weave development around people, not people around development.

3. **New partnerships between state and markets**, to combine market efficiency with social compassion.

4. **New patterns of national and global governance.** Inflexible nation-states cannot cope with the globalization of markets on one hand and the rising aspirations of their people on the other. Needed: more decentralization of power, more involvement by non-governmental organizations (NGOs), more empowerment of the poor.

5. **New forms of international cooperation**, to focus foreign aid directly on the needs of the people rather than on the preferences of governments.

Most importantly, the *Human Development Report 1993* focuses on participation as a key to human development.

### **Economic Participation**

The report calls for "people-friendly markets," allowing people to participate fully in their operation and to share equitably in their benefits. The starting point for economic participation is jobs, and the report shows that all over the world, economies are growing but the number of jobs is not keeping pace, resulting in "jobless growth." From 1960 to 1987, for example, France, Germany and the UK saw

their economies more than double, and their employment rates fall. The phenomenon is particularly devastating in developing countries. Less than one-third of the increase in output in developing countries in the 1960-87 period came from increased labour more than two-thirds resulted from capital investment. At the same time the labour force in the developing world increased by more than 400 million, creating legions of unemployed. The report also shows how in some countries, particularly in East Asia, land reform and investment in human resources have led to substantial job growth.

One way of making economies work better and increasing opportunities for participation is to reduce state regulations, unleash private creativity and sell off inefficient public enterprises. While the report applauds these reforms, it says they must be made carefully, so as to avoid abuses. A section on the "seven sins of privatization" warns of the need for full disclosure to prevent corruption and for anti-monopoly steps so that economic power does not pass from one ruling elite to another, among other possible failings.

### **Political Participation**

If people cannot come miles to the seat of government to share power, government can and should move toward people by decentralizing, says the report. One of the few ways of measuring decentralization is by studying where government money is spent, and by that measure, there is far distance to go. On average, central governments in developing countries delegate less than ten per cent of total national spending to local governments, and less than six per cent of total social expenditure, says the report. This compares with average delegation of 40 per cent of all spending and 25 cent of social spending in 15 industrialized countries studied.

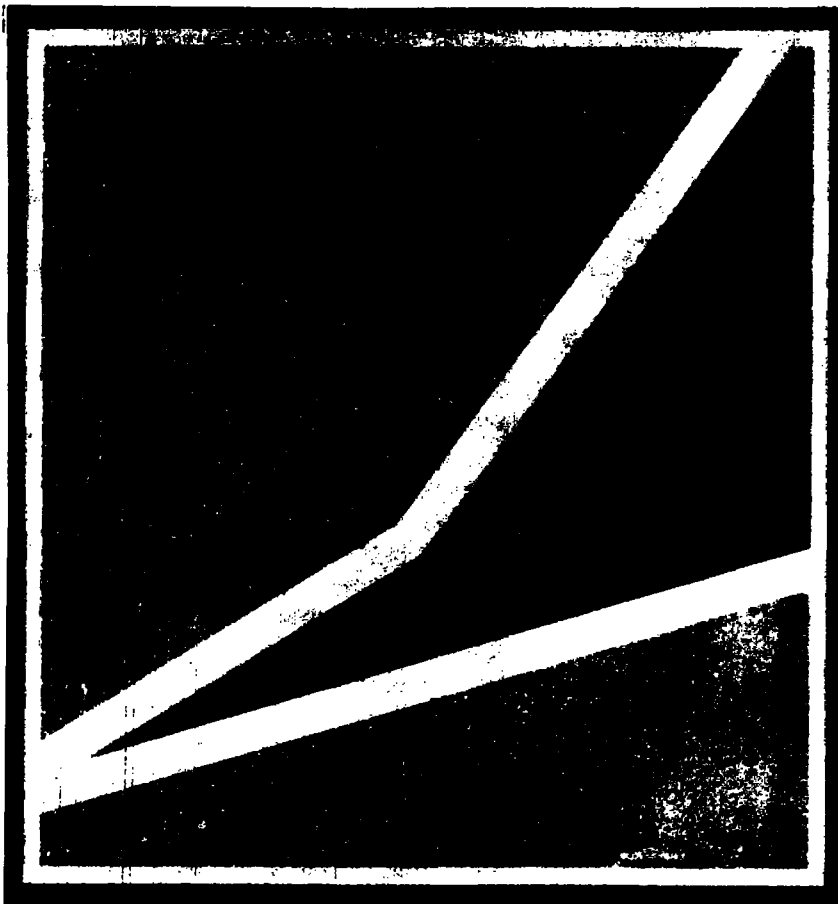
It is not an easy task to change the patterns of centralized government. Even **Chile, Indonesia, Morocco and Zimbabwe**, which have taken large strides toward decentralization by creating nearly autonomous levels of local government, have dispersed relatively little power. "The resources controlled locally are small, local decision-making powers are narrow and many local appointments are imposed from above," says the report. Yet these countries show that decentralization can bring government closer to the people and improve their lives. Chile assigned responsibility for basic education and primary health care to local governments in the 1980s. As a result, 30 per cent of all social spending takes place at the local level, compared with six per cent in the capital, a reversal of the usual pattern.

### **Group Participation**

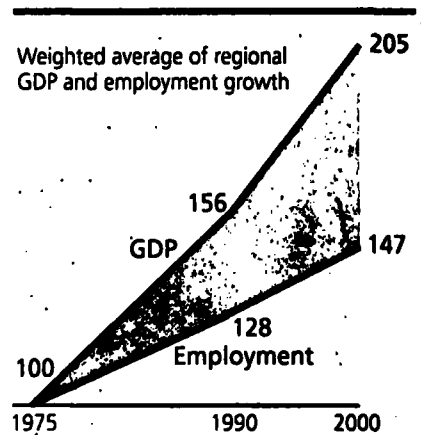
When people organize, by definition they increase their level of participation and often increase influence over their own lives. The dramatic shift toward democracy across the developing world has led to an explosion of participatory movements and non-governmental organizations (NGOs). NGOs today benefits more than 250 million people, compared to 100 million in the early 1980s, says the report. The expansion of NGO activity has been supported by aid donors who, dissatisfied with the performance of much official aid, are channelling more of their money through them. Over the past 20 years, grants by NGOs in the north (most of it from government sources) to developing countries jumped from just over \$1 billion to \$5 billion a year.

NGOs play a variety of roles. One is to promote democracy. Labour unions, such as Solidarity in **Poland** and the Congress of Trade Unions in **Zambia**, both played central roles in opposing one-party states and

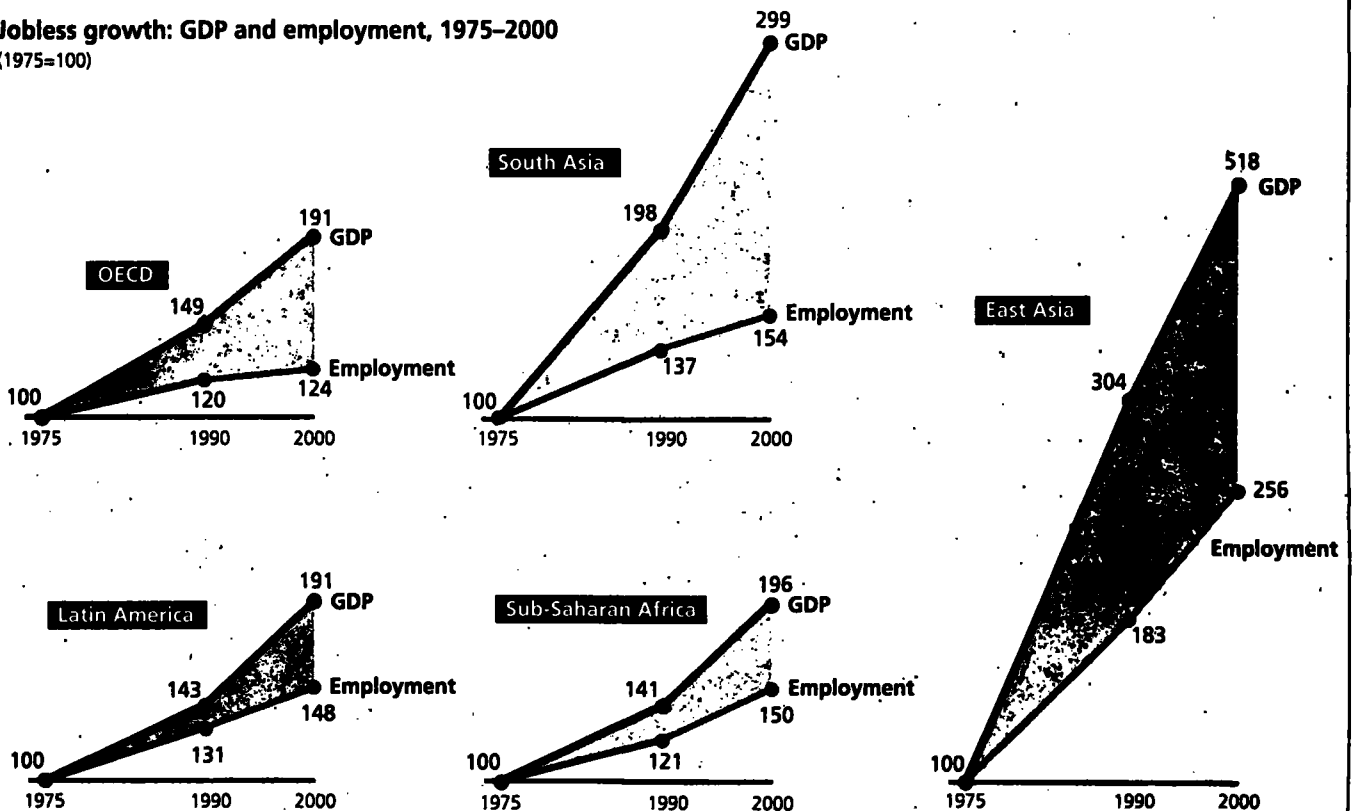
**Jobless Growth: All over the world, economies grow faster than jobs. Without more active job creation, the gap will widen by the year 2000, predicts UNDP's Human Development Report 1993.**



The cover design shows the percentage growth of gross domestic product in the upper curve and the percentage growth of employment in the lower curve, with 1975 levels representing 100 per cent. Regional growth gaps are shown in figures below.



**Jobless growth: GDP and employment, 1975-2000**  
(1975=100)



gaining multi-party elections. In both cases, union presidents were elected country presidents.

NGOs are often able to reach the poorest in society, where governments have not. In **Zimbabwe**, agricultural groups supported by the NGO Silveira House increased crop yields by as much as tenfold, enabling farmers to break out of subsistence agriculture and more into a cash economy. By extending loans to nearly 1 million people in 23,000 villages, the Grameen Bank in **Bangladesh** has proven that credit for the landless poor not only creates businesses and jobs, but can yield a loan repayment rate of 95 per cent. NGOs can also help to empower marginalized groups. In **Ecuador**, Indian Federations are helping indigenous people to gain secure title for their land, resulting in both material benefits and increased standing in civil society.

The growth of NGOs and their impact can obscure the fact that they still operate on a relatively small scale, notes the report. The \$7.2 billion in grants channeled through Northern NGOs to Southern NGOs accounts for 17 per cent of official aid and 2.5 per cent of total resource flows to developing countries. Says the chief author of the report, Mahbub ul Haq: "This is not a criticism of the role of NGOs, but a reminder of stark reality: NGOs can supplement the role of governments, but they can never replace it."

### The Report Makes a Difference

Since its first appearance in 1990, the *Human Development Report* has kept one message intact: developing must centre on people, and one sure indicator of progress in development is the widening range of people's choices. The reports have argued for sharply reduced military spending and higher levels of social spending; better targeting of foreign aid; more favourable terms of trade for poorer

nations, and higher levels of democracy and participation.

Because of the ranking of countries in the Human Development Index and the frankness of the report itself, reaction has been strong: in 1992, the Group of seven summit meeting in Paris hailed the report's emphasis on cutting of military spending, while heads of state of the Non-Aligned Movement meeting in Jakarta, after some debate, "welcomed" the report and called on governments "to urgently promote international cooperation for human development." Human development has been the subject of debate in the parliaments of Italy, France, Sweden, Canada and Europe.

But the true importance of the report has come in the way it has been translated into action, in the form of country programmes funded by UNDP and other commitments made by developing countries. For many countries, the starting point is data collection. **Bolivia** is conducting a census to discover the human developments status of its people. **India**, responding to the reports, started a nationwide data collection exercise at state and district levels last year to improve efforts toward poverty alleviation.

An entire region moved toward people-centred development when six Central American presidents met in late 1991 to sign a commitment to

"assemble all resources" for human development in their countries. Heads of three of those countries pledged to reallocate a total of \$500 million a year within their national budgets to fund social sector initiatives. **Bangladesh, Colombia, Ghana, and Pakistan** were among the first countries to request UNDP assistance to review and set costs of meeting human development targets. Ghana, for example, has drafted an elaborate human development strategy that recognizes the need for change in areas ranging from macro-economic planning to protection of the poorest during periods of austerity.

More than 20 countries in one way or another have sought UNDP assistance to implement a human development approach. As a result, of the more than \$3 billion in UNDP programme funding for the 1992-1996 period, nearly \$1.2 billion or 37 per cent will go to poverty alleviation and people's participation programmes.

Says UNDP's Administrator Draper: "We have to weave development around people, not people around development, and we have to ensure that development cooperation focuses directly on people, not just on nation-states. The challenge for the development community in all this is to identify practical and pragmatic options." The process has begun.

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## USA: ONE COUNTRY OR THREE?

**UNDP's Human Development rankings place white America 1st, black 31st, Hispanic 35th, behind Trinidad & Tobago, Bahamas.**

**Worldwide, less than 10 percent of people participate fully in institutions that shape their lives: poor, women, minorities and rural dwellers are most left out, says UNDP book.**

The African-American population of the **United States** participates so little in the benefits of the U.S. society and economy that it

would rank 30 places behind the white population of the **United States** on the global Human Development Index, if it were measured as a

separate country. The U. S. Hispanic population would rank 34 places behind the first-place white population.

The Human Development Index (HDI) is contained in the *Human Development Report 1993*, prepared by an independent team of economists for the United Nations Development Programme (UNDP) and published by Oxford University Press. The HDI ranks countries by a yardstick that combines life expectancy, educational level and basic purchasing power. Taking the U.S. as a whole, the country ranks sixth, behind Japan, Canada, Norway, Switzerland and Sweden.

"Almost every country has one or more ethnic groups whose level of human development falls far below the national average," says the 1993 report. "One of the clearest and best documented cases is that of blacks in the United States," says the report. Fourth in an annual series, this year's report examines participation - or lack of it - by individuals and groups in their society, government and economy. It concludes that fewer than 10 per cent of people fully participate in the institutions that shape their lives.

In the case of African-Americans in the United States, "their disadvantage starts at birth," says the report. The infant mortality rate for whites in the U.S. is eight per 1,000 live births, but for the black population it is 19 - more than double. This, of course, sharply lowers black life expectancy figures as do health statistics gathered later in life. Black education levels are also below those of whites, while poverty levels are higher. Per-capita income (real GDP) for whites in 1990 was \$22,372, but for blacks it was \$13,378, or 60 per cent that of whites. Moreover, in 1990 more than half the black children in the United States were growing up in single-parent homes

## Women - the non-participating majority

Women, a majority of the world's population, receive only a small share of developmental opportunities. They are often excluded from education or from the better jobs, from political systems or from adequate health care.

- *Literacy* - Women are much less likely than men to literate. In South Asia, female literacy rates are only around 50% those of males. And in many countries the situation is even worse: in Nepal 35%, Sierra Leone 37%, Sudan 27% and Afghanistan 32%. Women make up two-thirds of the world's illiterates.

- *Higher education* - Women in developing countries lag far behind men. In Sub-Saharan Africa, their enrolment rates for tertiary education are only a third of those of men. Even in industrial countries, women are very poorly represented in scientific and technical study: in Spain, the ratio of female of male third-level students in these fields is, 28%, in Austria 25% and in Canada 29%.

- *Employment* - In developing countries women have far fewer job opportunities: the employment participation rates of women are on average only 50% those of men (in South Asia 29%, and in the Arab States only 16%). Even when they do find work, they tend to get paid much less: in the Republic of Korea, women's wages are only 47% those of men. Wage discrimination is also a feature of industrial countries: in Japan, women receive only 51% of male wages.

Women who are not in paid employment are, of course, far from idle. Indeed, they tend to work much longer hours than men. The problem is that

the work they do, in domestic chores and caring for children and the elderly, does not get the recognition it deserves in national income accounts.

- *Self-employment* - Women's opportunities for self-employment can be restricted in a number of ways. In some countries they are still not allowed to own property, or to offer collateral for bank loans or even to drive.

- *Politics* - In some countries, women are still not allowed to vote. And women almost everywhere are under-represented in government: in 1980, they made up just over 10% of the world's parliamentarians and less than 4% of national cabinets. In 1993, only six countries had women as heads of government.

- *Health* - Women tend on average to live longer than men. But in some Asian and North African countries, the discriminations against women - through neglect of their health or nutrition - is such that they have a shorter life expectancy. Indeed, comparing the populations who should be alive, based on the global mortality patterns, it seems that 100 million Asian women are "missing".

One of the greatest health risks for women in poor countries is childbirth. Maternal mortality rates in the developing world are more than 15 times higher than in the industrial countries.

- *National statistics* - Women are often invisible in statistics. If women's unpaid housework were counted as productive output in national income accounts, global output would increase by 20-30%.

nearly three times the 19 per cent of white children living with one parent.

The low levels of human development among black and Hispanic populations are major factors placing the U.S. sixth among nations of the world HDI, although

the U. S. has higher average income than the other five. If only whites in the U.S. were considered, they would place first. African-Americans would rank 31st. Ranking 35th, Hispanic U. S. would fall immediately behind Trinidad and Tobago, the Bahamas, South Korea and Estonia on the HDI, and just ahead of Chile, Russia

and Malta. Hispanics in the U. S. rank ahead of the black population in life expectancy, at 76 years against 71 years, but are behind in both income and education levels. African-Americans average 10.6 years of schooling, versus 8.5 for Hispanics.

"While the division of the United States into racial or ethnic populations makes a point, it is a point that could be made even more forcefully in other countries which so far do not keep such careful census statistics," says Mahbub ul Haq, former Finance and Planning Minister of Pakistan, now Special Adviser to the UNDP Administrator and the chief architect of the *Human Development Report*. "It is clear that certain groups, whether they are the poor, women, minorities and indigent groups of rural dwellers, just do not participate, do not have access to power, and do not share in the benefits of the economy in most countries of the world. This means that we need a new development model for rich countries and poor, which stresses development by the people. Participation is an essential element of human development."

Among the few developing countries that have kept track of disparities between one region or group of people and others are India, Mexico and Turkey. In India, the human development ranking for the state of Uttar Pradesh is one third lower than the national average, while the top-ranked state, Kerala, is at a level 70 per cent above the average. In Mexico, the state of Oaxaca has a human development index one quarter lower than the national average. In Turkey, there is a big gap both between rural and urban populations and between men and women, so that urban men rank 15 percent above the average, and rural women 12 per cent below the average.

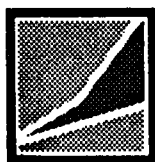
The low participation rates of women deserve special attention, and will receive it in a future *Human*

*Development Report* devoted entirely to the topic of women and human development. (See box 1) It is not only developing countries that find women lagging behind men. The 1993 report notes that Japan, ranking first in overall human development, drops to number 17 when the HDI is adjusted for male-female disparity. In education, the tertiary (university-level) enrolment rate for women is only two-thirds that of men. Women's average earnings in Japan are only 51 per cent those of men. Women hold only seven per cent of administrative and managerial jobs. Women's participation is even lower in politics. Only 2 per cent of parliamentary seats are held by women (compared with a nine per cent average for industrial countries) and no ministerial positions are held by women in Japan.

There are other groups put at the extreme margin of society and the economy. Indeed, the majority of the world's people still remain excluded from full participation in develop-

ment, says the report. One quarter of the global populations still survives in absolute poverty. The world's poorest 20 per cent find that the top 20 per cent enjoy 150 times their earning level. The rural populations in developing countries still receive less than half of the income opportunities and, although usually a two-thirds majority in developing countries, receive on average less than a quarter of the education, health, water and sanitation services. The disabled, and entire poor nations do not participate in societies or economics as they should. "Exclusion, rather than inclusion, is the prevailing reality," says Dr. Haq.

"Taking these and other excluded groups together, it seems likely that less than 10 per cent of the world's people are able to participate fully in political, economic, social and cultural life," says the report, adding, "For the vast majority, achieving real participation will require a long and persistent struggle."



## HUMAN DEVELOPMENT REPORT 1993

**Can the marketplace be  
"people-friendly"?**

**A UNDP report says yes -**

**Markets exist to serve people,  
not the reverse**

**Fighting the "seven sins of privatization" and "jobless growth".**

One of the changes most hailed in recent years has been the move to

market economies by former socialist states and developing countries.

80 countries in all. The march to markets includes the privatizations of public enterprises and the establishment of banks and other capital markets. But by themselves, these changes are not enough to help people participate in their economies or to build sustainable growth for the future, says a new book.

"Markets are, after all, not an end in themselves; they are a means to human development," says the *Human Development Report 1993*, prepared by an independent team of economists for the United Nations Development Programme (UNDP) and published by Oxford University Press. "Markets should serve people, rather than people, serving markets." Citing the 1980s call for "market-friendly policies," the UNDP report insists that policies go further, making markets "people-friendly - allowing people to participate fully in their operation and share equitably in their benefits." (See box 2)

The best example of markets failing to serve people is the recent record of economic growth outstripping job creation, notes Mahbub ul Haq, former Minister of Finance and Planning of Pakistan, now Special Adviser to the Administrator of UNDP and chief architect of the four *Human Development Reports* published annually since 1990.

"All around the world, we have entered a period of jobless growth," says Dr. Haq, adding that this phenomenon, noted even in rich countries, is particularly devastating in developing countries. Less than one-third of the increase in output in developing countries between 1960 and 1987 came from increased labour; more than two-thirds came from capital investment. At the same time, the labour force in the developing world increased by more than 400 million people. "Even when

output increases, the increase in employment lags way behind," says Dr. Haq. A survey of U. S. transnational corporations in 1989 showed that while worldwide sales between 1982 and 1989 had increased by 34 per cent and assets by 78 per cent, their total employment remained unchanged at 6.6 million workers. The *Human Development Report* estimates that about one billion new jobs will have to be created over the next decade to keep pace with global labour force growth. "If present trends continue, it is extremely doubtful that this job-creation will happen," says Dr. Haq.

How can markets better serve employment? The report takes examples from the East Asian industrializing countries. For the Republic of Korea, one essential starting point in the 1950s was land reform. Over two years, the proportion of farmers who were owners of land rather than tenants increased from 51 per cent to 94 per cent; over the next 14 years, the labour used per hectare increased by 4.7 per cent a year. Also, besides redistributing assets, these countries made heavy investments in the health, education and skills of their people, so that the work force was ready to exploit technology and new production methods as they were introduced. In that region, labour productivity has risen by more than 10 per cent a year, and the unemployment rate has consistently stayed below 3 per cent, compared with double-digit unemployment rates in most developing countries - and over 6 per cent in the industrialized world.

"It would be naive to assume that the historical experience of one group of countries can be replicated elsewhere in the future," says the report. "But if there is one message that does emerge, it is that the solution is to focus not merely on

capital or on production processes, but on people." The report sounds the alarm on the growing use of temporary and sub-contracted workers by big firms and the discouragement of start-up loans to smaller firms, which are the primary job creators in both developing and industrial countries.

The role of inefficient government in markets is tackled head on by the report's authors. They note that many of the large government enterprises of the past have suffered enormous financial losses, losses which must be covered by subsidies that could have been better used for human development. "The social opportunity cost has been staggering," they say. "If governments had not needed to finance such losses, then total expenditure on health and education in Bangladesh and Poland could have been doubled, and in Argentina it could almost have tripled."

The answer for many countries is the privatization of government businesses. Between 1980 and 1991, nearly 7,000 state enterprises were privatised, some 4,500 of them in parts of the former communist world. Only about 1,350 privatized companies were in developing countries, although the pace of privatization there has accelerated over the past two years. The motivation for going private, in addition to halting the budget-busting losses of inefficient public businesses, is the belief that in manufacturing and other productive sectors, private enterprise can deliver better results than can the meddling of the public sector.

"However, privatization is no panacea," warns the report. Hastily conceived or executed, it may achieve very little. "Privatization should be seen as a means to higher levels of

human development rather than as an end in itself," says the report. "Unfortunately, the process in many countries resembles a 'garage sale' of public enterprises to favoured individuals and groups, rather than an integral part of a coherent strategy to encourage private investment."

Experiences vary widely within regions, particularly in developing countries. Privatization in Latin America has played a "significant role." Argentina has privatized more than 51 companies in three years, raising government revenues by \$5.6 billion and attracting a large inflow of foreign private investment. (Even there, however, some monopolies persist, says the report.) In Africa, on the other hand, privatization has been "much less significant". Because of the difficulty of mobilizing enough savings for equity investment, countries such as Malawi have struggled to reach their goals.

To keep the human development ends and the market means in balance, the report warns of the "seven deadly sins of privatizations".

**1. The wrong reason** - Many government sales seek only short-term revenue for the national coffers. Such a limited objective is likely to result in long-term losses for consumers and damage to the efficiency of the economy as a whole. This is particularly true when a government monopoly merely becomes a private monopoly.

**2. The wrong environment** - If arbitrary government edicts continue to interfere with efficiency, or if the government provides no antitrust regulation at all, transferring ownership to the private sector is unlikely to achieve much.

BOX 2

## Steps towards people-friendly markets

People-friendly markets allow people to participate fully in their operations and to share equitably in their benefits. Having markets serve people, rather than people serve markets, requires concrete steps:

1. *Preconditions*
  - Adequate investment in the education, health and skills of people to prepare them for the market
  - An equitable distribution of assets, particularly land in poor agrarian societies
  - Extension of credit to the poor
  - Access to information, particularly about the range of market opportunities
  - Adequate physical infrastructure, especially roads, electricity and telecommunications, and adequate support for R & D
  - A legal framework to protect property rights
  - No barriers to entry, irrespective of race, religion, sex or ethnic origin
  - A liberal trade regime, supported by the dismantling of international trade barriers.
2. *Accompanying conditions*
  - A stable macroeconomic environment, especially ensuring stability in domestic prices and external currency values
3. *Corrective actions*
  - Protection of competition, through antimonopoly laws and safeguards against financial malpractices
  - Protection of consumers, especially through drug regulations, safety and hygiene standards and honest advertising
  - Protection of workers, through regulated working conditions and minimum wage standards
  - Protection of special groups particularly women, children and ethnic minorities
  - Protection of the environment, particularly through incentive systems and by banning pollution or making polluters pay.
4. *Social safety nets*
  - Adequate arrangements to look after the temporary victims of market forces to bring them back into the markets, primarily through human investment, worker retraining and access to credit opportunities-as well as more permanent support for groups such as the disabled and the aged.

**3. Cronyism and corruption** - Where the disposal of assets is conducted in secrecy or without competitive bidding, corruption and enrichment of government cronies usually follow. Sales "should be so open and public that such allegations cannot arise," says the report. Pre-sale publicity should state the goals of the sale. Well after the sale, a report should document if, and how, objectives were achieved.

**4. Financing budget deficits** - Many harassed finance ministers are

using the sale of public enterprises as a convenient means of financing their budget deficits. They must retire national debt instead and face up to the painful choice of raising taxes or cutting public spending to balance their budgets. Says the report: "Selling assets to meet current liabilities is mortgaging the options of future generations."

**5. A poor financial strategy** - Too often shares are sold exclusively to foreigners or in a poorly developed stock exchange monopolized by a

*Cont. from page 24*

privileged few. Instead, governments should take care to achieve widespread distribution of shares to national and foreigners alike in a way that maximizes revenue and protects the national interest.

**6. Poor labour strategies** - Governments often err on the side of buying labour cooperation with

unrealistic hiring promises or excessive "golden handshakes" at termination. Instead, they should invite pre-sale labour dialogue and participation in management, in retraining and in layoff policies and action.

**7. No political consensus** - Privatization is a political as well as an economic act and should not be forced through by edict. "Governments should attempt to build as broad a consensus as possible, and use democratic parliamentary procedures to minimize violent lurches in policy," says Dr. Haq.

Say the report's authors, "The enumeration of these sins is a caution not against privatization, but against privatizing within the wrong framework and without a human development purpose in mind."

At the heart of successful market economies, says the report, must be new forms of social and economic participation. "Creating people-friendly markets will be an essential part of this process, taking advantage of the energy and creativity of people whose contributions and potential we can no longer afford to ignore."