

MAMPHELA RAMPHELE¹

GLOBALIZATION, HUMAN DEVELOPMENT AND HUMAN RIGHTS

Ladies and Gentlemen

I am honoured to be invited to deliver this year's John Foster Lecture to this distinguished audience. It is a particular honour to follow the eminent South African Judge, Sydney Kentridge, first John Foster lecturer.

There is much debate about the importance of a human rights-based development approach. The World Bank is under pressure to make a public commitment to such an approach. But what does it mean to take a human rights approach to development and why do we think it might be effective? What, at the same time, are the complications or barriers to making human rights a cornerstone of development? Let's go to the beginning and listen to one who was present at the birth of the World Bank and has been credited with its paternity. At the conclusion of the Bretton Woods Conference, Lord Keynes said:

"We, the Delegates of this Conference... have been trying to accomplish something very difficult to accomplish... We have had to perform at one and the same time the tasks appropriate to the economist, to the financier, to the politician, to the journalist, to the propagandist, to the lawyer, to the statesman - even, I think, to the prophet and to the soothsayer... And for my own part, I should like to pay a particular tribute to our lawyers. I have been known to complain that, to judge from results in this lawyer-ridden land, the Mayflower, when she sailed from Plymouth, must have been entirely filled with lawyers. Too often lawyers busy themselves to make commonsense illegal. Too often lawyers are men who turn poetry into prose and prose into jargon. Not our lawyers here in Bretton Woods. On the contrary they have turned our jargon into prose and our prose into poetry. And only too often they have had to do our thinking for us."²

The Bretton Woods institutions have continued to face the challenges of their complex birth and the accompanying expectations stemming from the need not only to marry the hopes and anxieties of multiple shareholders, but also to do so in a manner that lawyers, economists and other development specialists found acceptable. Too often, the need to speak and act in this lawyerly way maintained a fundamental misalignment between the political imperatives that shape development and the lessons we have learned over the past 50 years about how to make development effective.

The accelerated pace of globalization has added its own complexities to this difficult balancing act. Bretton Woods institutions are often pulled in different directions by the political imperatives of their shareholders, on one hand, and those directions suggested by lessons from the last 50 years or so of development experience on the other. The growing awareness of the importance of a human rights based development approach would in an ideal world marry national political interests with the imperatives of development effectiveness. But this marriage is unlikely to be consummated unless attention

is paid to the vexed question of global citizenship. Human rights can only be realized in an environment in which the rights of citizens are respected and given substance at the local and national level. But in a globalizing world how are the rights of citizens to be recognized, protected and be given substance at the international level as well?

Development and human rights are inextricably linked. Here I recall the observation by Amartya Sen that there has never been a famine in any country that has been a democracy with a relatively free press.³ Research also shows that those countries which have strong civil liberties do a better job in sustaining development and prosperity. There can be little challenge to this proposition. Absence or denial of human rights seems to underlay, too often in an unspoken way, our analyses of why development went wrong: people are denied the right to education; they cannot petition their governments for change; they cannot hold their leaders accountable; enforcement mechanisms and guarantees of political and civil rights are unavailable to poor people, while they offer impunity to rich people.

So we believe in the centrality of human rights for three reasons. First, in the absence of intervening factors, people who are fully possessed of fundamental human rights tend to promote development while they seek to improve their own situations. They tend to favour peace, security, and progress, things that create the positive spill over effects that can put societies on the road to development. Second, and related, in a globalizing world development is more intricately connected to the ability to acquire and use knowledge-and human rights are a pre-condition for the large scale effective use of knowledge by individuals, communities, and societies.

Third, effective systems for securing human rights tend to promote transparency and accountability, and the types of balancing of power that may allow political imperatives to align with the technical requirements for development. The key question is how to implement a human rights development approach in the broadest sense in this era of globalization so that no global citizen falls victim to famine or preventable diseases?

We need to recognize, of course, that today's economically successful societies did not necessarily get where they are because of a long history of respect for human rights. The United States built economic power under slavery in the 19th Century and it struggled to extend civil rights to all its citizens through the 1960's. Europe grew steadily wealthier while passing from feudalism to a colonial period that also extended into the 1960's. However, in today's global context we know better. What was acceptable even forty years ago is not acceptable today.

Against this backdrop, I would like to explore the following themes:

First, why has the development community not achieved more given 50 plus years of development effort?

Second, why are the contradictions between donor policies and behaviour, on one hand, and the lessons of development effectiveness on the other, so persistent?

Third, what would it take to adopt a credible, effective and sustainable, global compact giving substance to the Monterrey Consensus as a basis for a human rights-based approach to development?

A mixed experience over the last 50+ years

Successes

The greatest development gains have been made during those periods in history, and in those parts of the world where there was an alignment between political imperatives and the pressure to effect sustainable development. Since the 1960s, average life expectancy at birth has increased by 20 years, illiteracy rates have been halved, and average per capita income has more than doubled. There have been major improvements in governance: today two-thirds of the world's countries are democracies, compared to one-third in 1974. At the macroeconomic level, inflation and tariff rates have fallen by half.

Yet as a whole the developing world has not been transformed to the point where we can declare development to have succeeded. Poverty and its indignities is still the central feature of the lives of many of the citizens of the developing world. Only in a few isolated examples have we seen the type of transformations that constitute 'successful' development. These cases shared the very general feature of a political atmosphere that was basically favourable to human rights, an ability to put knowledge (either indigenous or 'wisely borrowed' knowledge) into practice and an alignment of external political imperatives that either actively supported (the case of Europe) or was not permitted to undercut (Korea) the natural course of the first two factors.

European countries successfully reconstructed their economies post World War II and experienced great social development with a combination of national policies (both emphasizing and drawing on good education and local capacity) and donor resources, including from the Bretton Woods institutions (World Bank & IMF). More recently, many other countries as diverse as Finland, Ireland, Chile, Mauritius, Vietnam and Eastern Europe experienced high economic growth rates. It is no accident that all these countries have a strong commitment to education. Finland, for instance, successfully shifted from a natural resource-based economy of the 1960's to a high-tech economy, with computer and telecom products making up 30 per cent of exports in 2000.

The key role of human development in sustainable development is nowhere else more pronounced than in East Asia. Let me remind you of a telling comparison between South Korea and Ghana. Nearly 40 years ago the per capita income of South Korea and Ghana were the same. However, over that period South Korea increased its per capita income by a factor of 8.9 in real terms, while in Ghana incomes stagnated. The per capita income growth in South Korea that can be attributed to the use of more capital and more labour (i.e. to factor accumulation) explains only half of the higher performance of South Korea compared to Ghana. The difference between these two countries arises from South Korea's more effective use of policy and technical knowledge to build a strong intellectual capital base. This intellectual capital resulted from large investments in education and training, as well as from an understanding of how to succeed in a competitive global economy. Yet because of its period of authoritarian government and lack of attention to human rights, the mid-1990's found Korea vulnerable to the financial crises that swept the region. Crony

capitalism had to be confronted and greater attention given to broad-based investments in people. Gender equality remains a last frontier challenge for this thriving economy.

As a result of its successful strategies South Korea is now a member of the OECD and a world leader in educational attainment and investment in R&D and in various new sectors such as semi-conductors and telecommunications. The key point to emphasize is that the acceleration in the creation and dissemination of knowledge is both a challenge and an opportunity. Countries that develop effective strategies to use knowledge for their development can harness the opportunities to achieve higher rates of growth and better performance. The interesting issue here in terms of the global context is that South Korea succeeded in spite of the ambivalence of the global community to support its chosen development pathway at critical moments. But it had the national political will to forge ahead.

Post Cold War successes in Eastern Europe have come as a result of alignment of political interests of major Western power to see these countries move from the influence of Soviet-style politics of centrally planned economies towards market-based ones. Resources in both money and technical support to build appropriate institutions were not spared. It is no surprise that many of them are now ready for accession to the EU.

Failures

The contrast with sub-Saharan Africa could not be greater. For example, average income per capita has not changed since 1960, and in a significant number of countries there has been a decline. Many countries are now facing civil strife and wars, and the devastation of HIV/AIDS. Countries in South Asia, Central Asia and other parts of former Soviet Union, and Latin America also face economic and social challenges. In the age of ecommerce and the hi-tech revolution, nearly 120 million children are deprived of even primary education. Sixty per cent of children out of school are girls - despite widely ratified human rights conventions calling for gender equality. Of the out-of-school children, 40 per cent live in sub-Saharan Africa and another 40 per cent in South Asia, and more than 15 per cent in the Middle East and North Africa. This widening education gap between wealthy and poor countries helps explain why 4.8 billion people in developing and transition economies (out of a global population of 6 billion) still receive only 20 per cent of global wealth.

What went wrong in so many countries? And why were others successful? It is as important to understand the origins of the successes as well as of past failures. Governments and donors have made mistakes in the past that have slowed development. Too often during the Cold War, aid allocations were driven by political or other aims rather than sound sustainable development goals. Given the diversity of motives, it is unsurprising that some bilateral donor support and lending by Bretton Woods institutions failed to spur growth and reduce poverty.

1. Initially, donors placed too much emphasis on the quality of what were often isolated projects, neglecting the quality of the overall country environment for growth-a mistake that adjustment lending was intended to fix.

2. Adjustment lending had its own problems. Adjustment lending emerged as a necessary corrective approach, after distorted macro environments had been shown to undermine the effectiveness of project-level assistance. The early experience with adjustment lending was problematic, particularly in countries with poor reform and implementation records, as well as insufficient attention to social costs. Too often, governments receiving aid were not truly committed to reforms. Donors incorrectly believed that compliance with numerous conditions attached to concessional loans could substitute for enhancing capacity for country ownership of reforms.

3. In many countries, donors underestimated the importance of governance reforms and social investments as a complement to macroeconomic and trade reforms. There was also undue emphasis on infrastructure lending and neglect of investment in people.

4. Donors also neglected the need for enhanced institutions, and to build the national capacity in recipient countries that is the key to effective institutions. The most successful cases of change have been those where a fundamental human rights framework-and the provision of basic services that this entails-left people largely free and well-positioned to pursue progress for themselves and their surroundings through more effective use of knowledge.

In light of the increased importance of knowledge and in the wide – and widening – divide between the capability to produce, apply and share knowledge, it is important for development approaches to be based on strategies that make effective use of knowledge for development. Few countries have been successful in doing this rapidly and effectively. Why?

Let me share with you some of the results of a recent study we undertook at the World Bank that was presented to its Development Committee at the 2002 Annual Meetings. We examined country case studies across the globe in three key sectors: education, health and water. The lessons were clear: Successful development requires many, often simple, ingredients, but the algorithm for achieving sustainable results is complex.

The ingredients are first, sound policies and committed leadership at the country level, supported by appropriate expenditure frameworks, effective budget execution, and good governance. Much neglected in many cases of poor performance is the need for national policies that promote sustainable growth strategies appropriate for the 21st century K-economy.

Second, adequate operational capacity to develop evidence-based policies and to implement them at all levels, including the capacity of communities to participate effectively, and the right incentives, so that countries can translate sound policies and strong leadership into effective action.

Institutional capacity is crucial for the government and private sectors as well as for academia and NGOs. Institution building is essential for sustainable development. An example of how development can be constrained by capacity with devastating effects is the low absorption and utilization rates of HIV/AIDS funds in many African countries despite the fact that remedial policies are known and funds are available.

Third, financial resources to scale up programs that work, and that reach the service delivery level. Financial resources include national as well as international funds including FDI and export earnings. Development aid, which represented 0.33 percent of donor GNP in 1990, is now equivalent to 0.22 percent - a 7 percent decline in inflation-adjusted terms. Removal of trade barriers, both tariff and non-tariff ones, is crucial in this respect. The opportunity costs of trade barriers are much larger than the benefits derived from ODA. It is estimated that total elimination of trade barriers could produce an additional \$1.5 trillion in income for developing countries over the next ten years, and could lift an additional 300 million people out of poverty by 2015.⁴ Developed countries would also benefit substantially through this expansion of opportunity, raising their income by almost the same amount. But what is good for both groups has not become a reality because of the inability to look beyond short-term interests. This should lead us to ask: Is it possible to forge an alignment between these political imperatives and a new human rights-based approach to development? Couldn't this alignment satisfy all parties by promoting the balance between competition and collaboration that is called for in a globalizing world?

Fourth, and finally, a strong focus on data, information systems and results - is essential for accountability, learning and improving outcomes - so that policies and programs are built on empirical evidence of problems and solutions that work. It is remarkable that after more than 50 plus years of developmental work in sub-Saharan Africa, no more than a handful of countries have adequate capacities to collect, analyze and use data.

Given the emphasis of the new development compact on effectiveness and results, there is a need to focus on supporting the establishment and sustainability of statistical services to provide essential information.

The effects of gaps in these four areas - policy, capacity, data and finances are nowhere more evident than in Sub-Saharan Africa. Most notably, sub-Saharan Africa as a region saw no increase in its per-capita incomes between 1965 and 1999, even with improved performance in the 1990s. Although Africa did make steady progress on health and education indicators over much of that period despite the lack of income growth, the AIDS epidemic has sharply reversed progress on life expectancy in the region. For the region as a whole, life expectancy fell from 50 years in 1990 to 47 years in 1999, and many countries have suffered double-digit declines.

Policy reform, operational capacity, financial resources and a focus on development outcomes are requirements on the developing country side. However, in an inter-dependent world, as was affirmed in Doha, Monterrey and Johannesburg as well as in the Annual Meeting of the World Bank this September, developing countries need donor support that goes beyond financial resources. Globalization imposes mutual obligations and responsibilities on all players in the global community. The Monterrey Consensus spells out these complementarities. Countries that address the above four gaps are promised support by the international community. Key to this support is 'change in donor behaviour'. Let's turn to this aspect.

Donor behaviours must rise to a new level, above the normal state wherein political imperatives ran counter to a true focus on poverty reduction. Donors must go beyond direct 'neighbourhood concerns' and practice the same

standards of transparency and accountability (untied aid, market access, coordination, and aid effectiveness) that they are prescribing for recipients. In a more than \$30 trillion global economy, donor aid that is at best \$56 billion a year is small in financial terms. What can make donor aid, including Bretton Woods institutional flows, potentially effective are the ideas and technical knowledge that come with financial support. This is especially true when the discussion, selection, and careful adoption of these ideas and this knowledge draws on, and builds local capacity in the recipient country. It is this latter input that really enhances human capability in developing countries. In this context, the opportunity costs of the \$4 billion a year of tied technical assistance to Africa is significant. It limits the participation of African experts in their own development and undermines their ability to be active agents of change. Tied aid exacerbates brain drain and discourages the emergence of a critical mass of a middle class that can act as a buffer between political elites and poor people. If donors can come to see aid policies as a form of global citizenship, they can better position them to enhance local capacity, and avoid these unfortunate outcomes.

In an inter-dependent world, good global citizenship is not just the responsibility of the donors. When we ask what it will take, for instance, to get Sub-Saharan Africa out of its current rut, we must examine the obligations that fall on African political leaders, business people, and other citizens. We must ask if we see a change that is driving the region closer toward the principles that underlie a human rights-based approach to development. We must first ask ourselves if such initiatives as the New Partnership for Africa's Development represent an embrace of principles that can help human rights become a foundation for development progress.

It is emblematic that founding documents of New Partnership for African Development, or NEPAD, as it is known by its acronym, declare that the most urgent challenges for Africa are the 'eradication of poverty and the fostering of socio-economic development, in particular, through democracy and good governance.'⁵ African leaders have committed themselves to good governance, and have taken tentative steps to monitor one another's behaviour in this regard. The approach is intended to be supportive but firm and rigorous. Their affirmation of the principles of democracy, good governance, and human rights as the cornerstone of development, echo the lessons of recent experience in creating the conditions for greater use of knowledge, and of fostering the habits of transparency and accountability.

NEPAD's success depends on African leaders being held accountable. The Partnership involves a public commitment to have the policies and progress of individual countries submitted to the review of peers. The jury is still out on the effectiveness of some aspects of NEPAD's governance, such as the African Peer Review Mechanism. Recent press headlines are showing us that NEPAD will not mature without growing pains. We should, however, take encouragement in the fact that by its very appearance, it should be bringing us closer to the time when African political leaders, business people, NGOs and members of civil society, organized labour and the academic community more fully assume both their rights and responsibilities, more fully exercise them, and partner more fully and equally with the international community. From my perspective, this is what we mean by a human rights approach to development, and this is the best hope for the future of poor people in Africa and throughout the world.

Conclusions

In this lecture I outlined the importance of good policies, aligned around country-led national development strategies, better donor practices, and harmonization. There is perhaps little new in this line of thought. What is new is that we now realize that the euphoria of earlier development thinking prevented us for too long from tackling the increasing divergence across the world and the widening gap between the industrialized world and most developing countries, especially in sub-Saharan Africa. What is also new is that Doha, Monterrey and Johannesburg have put forward critical messages that call for action. The challenge, therefore, is transforming this knowledge into specific and concrete actions, examining the factors and incentives that slow progress in countries and donor agencies.

I started with the origins of the World Bank at the Bretton Woods conference which embodied compromises and ambiguities to meet conflicting interests. Such conflicts are well known in the development field and lawyers being present at the birth of the World Bank tried to construct something for everyone. These compromises worked well at first and the Bretton Woods institutions were a success in the reconstruction and development of post war Europe. However, the results were more mixed later on in the rest of the globe.

I argued that the early successes in almost all countries with which the Bretton Woods institutions dealt had a strong human capital base. In contrast, in the poor performing countries, human development indices have been and remain poor. It took some time to realize that the missing link here has not been so much lack of financing: many poor countries received substantial amounts of external funds but ended up with substantial debts. The missing link has been capacity building creating space for human capability to shape and sustain each country's development process.

Changes in donor behaviour are also an important part of the picture: just as better country policies are needed to maximize the effectiveness of aid, improving donor policies and practices can make aid work better. Donors should enhance the effectiveness of resource transfers by committing to align their work around country-led frameworks, and to collaborate with others in the development community. Increased development impact would also come from providing more comprehensive financing, such as for recurrent costs; committing to long-term financing of programs; untying aid; and improving the cost-effectiveness of donor processes by making harmonization of products and processes a greater priority.

Ladies and Gentlemen: The call for greater human rights-based development focus by the Bretton Woods institutions presumes a greater focus on human development. But how is this to be done given the state of global governance that does not follow through on 'global democracy' but operates on the principle of survival of the fittest? Is this not the global equivalent of lack of national democracy leading to famines? Pronouncements of commitments to human rights will continue to mean little unless translated into implementation of sustainable economic, social and political reforms that transform the daily lives of ordinary people.

Thank you.

¹Managing Director, The World Bank. The views, findings, interpretations and conclusions expressed in this paper are entirely those of the author and do not necessarily represent the views of the World Bank, its Executive Directors or the countries they represent.

² Proceedings and Documents of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-22, 1944, Vol. 1, p. 195.

³ See <http://www.top-education.com/Speeches/amartyasen.htm>

⁴ Global Economic Prospects and the Developing Countries 2002: Making Trade Work for the World's Poor, The World Bank, Washington, DC, 2002.

⁵ New Partnership For African Development, "Declaration on Democracy, Political, Economic, and Corporate Governance", Article 5, <http://www.avmedia.at/nepad/indexgb.html>.

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