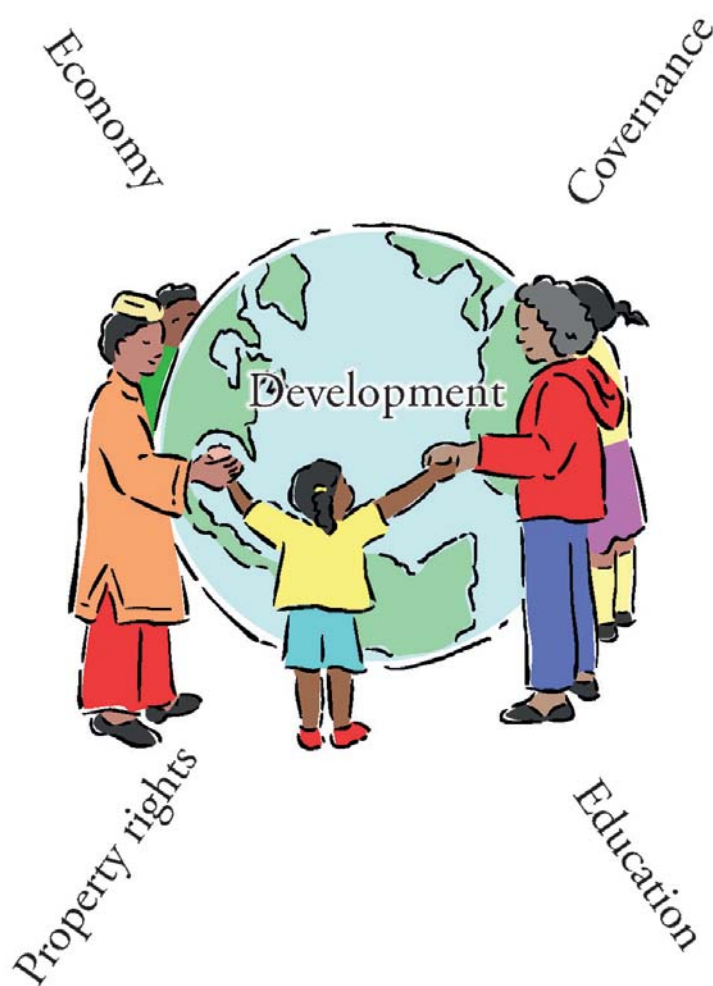


Kaj Björk

# What Explains Development

## Development Strategy for Low Human Development Index Countries



Kaj Björk

What Explains Development  
Development Strategy for Low Human  
Development Index Countries

Esitetään Jyväskylän yliopiston yhteiskuntatieteellisen tiedekunnan suostumuksella  
julkisesti tarkastettavaksi yliopiston Villa Ranan Paulaharjun salissa  
lokakuun 30. päivänä 2009 kello 12.

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UNIVERSITY OF JYVÄSKYLÄ

JYVÄSKYLÄ 2009

What Explains Development  
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JYVÄSKYLÄ STUDIES IN EDUCATION, PSYCHOLOGY AND SOCIAL RESEARCH 373

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UNIVERSITY OF JYVÄSKYLÄ

JYVÄSKYLÄ 2009

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Publishing Unit, University Library of Jyväskylä

Cover picture by Heikki Tiihonen

URN:ISBN:978!951!39!3713!3

ISBN 978-951-39-3713-3 (PDF)

ISBN 978-951-39-3665-5 (nid.)

ISSN 0075-4625

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Jyväskylä University Printing House, Jyväskylä 2009

# ABSTRACT

Björk, Kaj

What explains development. Development strategy for low human development index countries

Jyväskylä: University of Jyväskylä, 2009, 212 p.

(Jyväskylä Studies in Education, Psychology and Social Research

ISSN 0075-4625; 373)

ISBN - +, !-) %' - !' +% !' ž978-951-39-3665-5 fbjXŁ

This thesis studies the problem of how low human development index countries (LHDICs) can best develop and improve their human development index status (HDI). The thesis stresses the importance of *good governance, education, secure property rights and sound economic policies* in making progress towards higher HDI values. These four factors dominate the current discourse on development but for the most part they have up until now been studied independently of each other. However, if progress towards development is to be made, all four factors should be promoted simultaneously. These factors have been labelled the “basic pillars of development”. The thesis also discusses a set of long *durée* factors and auxiliary factors which have also considerable bearing on the development status of countries. They form the “platform”, from which the basic pillars may be managed. The long *durée* factors are: geography & environment & climate. The auxiliary factors are: culture & religion, colonialism; peace keeping & security; health, international aid, communication and globalization.

The main body of this thesis consists of case studies of four countries. These are Zambia, currently in the low-HDI category; Thailand currently in the middle-HDI category; and Chile and Finland in the high-HDI category. The analysis is comparative and describes, explains and interprets macro-level development phenomena.

The study reveals that the status of the various development factors clearly improves as one moves from Zambia, through Thailand, to Chile and Finland. Further, the academic discourse, and the current work of major global development institutions support the findings that in low-HDI countries the four major development factors are neither organized nor managed as well as they are in middle and high HDI countries.

These findings are further supported by quantitative measures. Scatter plot diagrams compare the four case-study countries with all those countries (as many as 177) from which reliable data is available. This statistical illustration shows a strong correlation between the factors studied and HDI score values. Education duplicates its role as a key development factor, because it is both a means to and a major goal of human development.

Keywords: Development, HDI, governance, education, property rights, economy.

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## ACKNOWLEDGEMENTS

I would like to thank Professor, PhD. Marja Järvelä for supervising the research process leading to this dissertation. I felt privileged to pursue my studies under her guidance and I am very grateful for all the challenging, stimulating and valuable contributions she has made to my work.

Professor, PhD. Pertti Kettunen deserves my most sincere and deepest gratitude for encouraging me to start out on the journey leading to this research. In a discussion we had in 2000, when I had just returned from Asia, he told me that "It is time to write something about your experiences all over the world and share some of those experiences with others". Further, he has been my professor when I was studying for my Masters degree in 1968-73, and thanks to the know-how and skills I acquired under his tuition, I was enabled to start my international career, which then eventually led to this research.

PhD. Juhani Koponen, Professor and Director of the Faculty of Development Studies at the University of Helsinki assisted me in the early stages of the research process by directing me to the most important reference books and publications.

I received considerable help in writing country analysis papers. Mr. Limtanakool Suradej from FINPRO's Bangkok office, Ms. Vera Kors from FINPRO's Buenos Aires office and Ms. Virve Paasovaara from the University of Jyväskylä assisted with the drafting of the papers dealing with Thailand, Chile and Finland, respectively.

PhD. Esa Haapasalo assisted with the use of the statistical software, SPSS, to illustrate correlation between Human development Index and some selective development related indicators.

Professor, PhD. Michael Peacock proof-read the draft, which made it much more reader-friendly and more specific to the point.

Last but certainly not least, I give thanks, with love, to my wife, Irma, who time after time tirelessly and patiently sacrificed so many other competing family activities and interests in favor of this research.



## ACRONYMS

A.D	Anno Domino
AFDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome.
APEC	Asian-Pacific Economy Cooperation
BESSIP	Basic Education Sub-Sector Investment Programme
BID	Banco Interamericano de Desarrollo
CASEN	National Social-Economic Characterization.
CECOS	Economic-Social Councils
CODELCO	State Copper Cooperation
COMESA	Common Market for Eastern and Southern Africa
EAEC	East Asian Economic Caucus
EIU	Economic Intelligence Unit
ENTRO	Eastern Nile Technical Regional Office.
GDI	Gender Development Index
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
HIPC	Highly indebted poor countries
HIV	Human Immune virus
HPI	Human Poverty Index
ILO	International labour Organization
IMF	International Monetary Fund
INE	National Statistics Institute
LAIA	Latin American Integration Association
LDC	Least Developed Countries
LHDIC	Low Human Development Index Country
MERCOSUR	Southern Cone Common Market
MMD	Movement for Multiparty Democracy
MTEF	Medium Term Expenditure Framework
MW	Mega Watt
NAFTA	North American Free Trade Agreement
NGO	Non Governmental Organization
OAU	Organization for African Unity
PPR	Poverty Programme report
PRSP	Poverty Reduction Strategy
SADC	South African Development Community Countries
SME	Small and Medium Size Enterprise
TEVETA	The Technical Education, Vocational and Entrepreneurship
UN	United Nations
UNDP	United Nation Development Programme
UNIP	United National Independence Party
USD	United States Dollar
WB	World Bank
ZIMCO	Zambia Industrial and Mining Company

## FOREWORD

Twenty three years in the developing world, as part of my world 35-year-long career lead me to undertake this research. In order to illustrate how my urge to undertake this study developed over the years, I share some of my experiences and observations with readers in chronological order.

In Swaziland I looked through the “glasses” of an UN associate financial expert attached to the Post & Telecommunications office of the Government in 1975–77. Swaziland was a relatively prosperous mini-Kingdom (population below 1 million) with the eldest reigning Monarch (more than 50 years) at the time, and it is a pleasure to observe that at the time of writing, more than 30 years later, peace prevails there, enabling development to continue.

In Saudi-Arabia, in the years 1978–80, my observation platform was the post of Finance Director of a big Finnish construction company constructing three independent villages worth hundreds of millions of marks successfully and profitably. It was fascinating to observe how the mid 70’s oil crisis had a huge positive impact on the economy of the whole region. While the West struggled with the threefold oil bill, the Saudis seized the opportunity to mobilize a development cycle that had some of the characteristics of the European industrial revolution if the early 19<sup>th</sup> century.

An assignment in Iraq, which started in mid-1980, was cut short by the war when Iraq attacked Iran at the end of the same year. Many western companies tried to stay, expecting the war to be over soon. It lingered on for almost ten years, and gave rise to huge bad debts for many corporations, and the same thing was repeated during and after the Gulf war. Wars and subsequent sanctions have ruined the economy of Iraq. Now, a quarter century later, Saddam Hussein’s dictatorship has collapsed in a humiliating way and the crisis has ruined the country to the stage from which recovery will take decades.

The first two assignments mentioned above were positive and rewarding. New realities in Iraq were experienced, and more experiences of hardship awaited me in Nigeria, where my observations were made in the capacity of a UN finance and administration expert in the years 1982–83. There, for the first time the question was raised “why all this poverty?” why in Nigeria, with her huge oil resources, rivalling those of Saudi-Arabia and her plentiful fertile agricultural land and still Nigeria remains one of the poorest countries in the world. Where does the answer lie; in overpopulation, governance, economy, hot climate, or some anthropological or psychological features of the people?

In 1984, it was time to cross the continent to Kenya, where The World Bank and Finnish Government were financing a challenging forestry programme over a period of almost five years. Kenya prospered at that time, had steady economic growth, a positive developmental atmosphere, and a spirit of optimism. World-famous game parks attracted millions of tourists

every year and peace prevailed. It was a rewarding experience to contribute to a seemingly positive development trajectory.

In 1988, after the above-mentioned experiences of 13 years, it was time for me to return to Finland to work for industrial corporations at a higher/middle management level. In spite of all the rewards and satisfaction of such work, the challenges of the developing countries kept crossing my mind, and eventually led to some private entrepreneurship consultative work, training small and medium-size enterprises, SME-companies in how to access development assistance funds and how to contribute to development projects. However, I found this was not enough, and eventually, in 1994, the African spell and the unanswered questions attracted me back to Africa. The concept, "African spell" remains undefined accurately, but refers to the nature and way of life in Africa that people from other continents learn to appreciate and like.

As a finance delegate associated with emergency assistance programme of the International Federation of the Red Cross in Malawi, 1994-96, the question of why poverty continues to persist, kept coming back. At present, Malawians have a fear of President Mugabe's policy in the neighbouring Zimbabwe spilling over the border. Problems of all kinds kept attracting my attention in Malawi. Illiteracy is one of these.

By that time, in 1996, African problems had become familiar; and it was time to change continent in order to be able to make comparisons. My next challenging post was that of Finance Director of the Mekong River Commission in Thailand and Cambodia, from 1997 to 2000. The MRC has four full members, namely Cambodia, Laos, Thailand and Vietnam; and two observer states, China and Myanmar (formerly Burma). This set-up, in spite of having been active since the 1950's, can be said to represent a different approach to development. While global organizations have to make cultural compromises in order to be effective, national institutions have a limited capacity; and therefore such regional, international bodies as the Mekong River Commission have become a popular channel for Development assistance funds. With financial support and staff from twenty countries, the MRC is like a melting pot for the latest Western research and know-how in the field of development.

Working for the Mekong River Commission gave me a good opportunity to closely observe the working cultures of Thailand and Cambodia, where the MRC Secretariat was situated. In Thailand, one can only admire the strong cultural heritage developed over centuries in this peaceful monarchy. In 1997, when I took up my position, the Thais certainly had enough to worry about. The South East Asian recession started at the same time, resulting in the Thai bath being devalued by 60 % and the real estate bubble bursting. What happened may be compared with the depression in 1930's.

Cambodia, the other extreme, one cannot say much about, simply because the era under Pol Pot's rule is beyond any comprehension. A person with any sort of education or initiative, not to mention an entrepreneur, was an enemy of state and was likely to lose his or her life if not lucky, and able to flee before being caught. Only three decades have passed since Pol Pot's tyranny came to

an end. A new, educated generation is needed to cover the gap created during Pol Pot's era, and before significant changes occur in economic development. Cambodia offers one example of how least – developed countries can speed up development by not following industrialized countries step by step. Thus, in 2002, mobile telephone density in Cambodia was recorded as the world's second-highest after Finland (UNDP 2002, 186-189). The explanation for this is that Cambodia never developed any wired telephone networks and thus skipped one generation of technology by inviting many western companies to invest in mobile networks.

After almost 20 years of the above-mentioned assignments, many, many questions remained unanswered. Additionally, all my shorter visits have only strengthened the desire to find some answers, and resulted in my seeking and accepting an advisory position in another poor country looking to find solutions to various development problems.

The position of Finance Advisor to the Ministry of Education, Zambia, 2001–2003, gave me a chance to collect relevant up to-date data from one of the sectors believed to have a key role in development. However, in spite of considerable international support to the education sector, most of the development indicators in Zambia are worse now compared with the 1970's. This contradiction with the ongoing rhetoric, impressive lip-service, and expressed commitment left me confused but even more determined to look for answers.

The process of looking for answers continued in the form of this research throughout the years 2004–2005. Another development economics related work assignment in Ethiopia was carried out during the year 2006 and early 2007. This job was the position of Team Leader of the Finnish Support to ENTRO, which is part of the Nile Basin Initiative. This helped to balance scientific research with practical level information to further contribute to the process of improving this research paper. Working and living in Ethiopia gave me the opportunity to observe the mixture of strong political and religious influence that was exercised over citizens. While the government and the ruling party jailed active opposition members, the Orthodox Church tried to command people's full attention by performing church ceremonies very frequently. Another example of the importance of cultural identity is the fact that Ethiopia uses their own Julian calendar in parallel with the Gregorian calendar. The Gregorian calendar day September 11 is the New Year day in the Ethiopian calendar. The clock time is also different, Six (6) a.m. is one o'clock in Ethiopia.

I wrote finishing touches to this paper in Kenya when working on another technical assistance program related to forestry from late 2007 with the contract going to mid 2008. Comparing the situation in Kenya with 1980s raises serious concern. While the population has more than doubled, the forestry cover has reduced by a quarter. Elections at the end of 2007 led to serious violence, ethnic strife, resulting in hundreds of deaths and hundreds of thousands of people being misplaced. The biggest foreign currency earning sector, tourism, came to a halt and the losses are counted in billions. The economy is in trouble, the

crime rate is escalating to alarming proportions, and epidemics like HIV/AIDS are tearing apart the social structure of society. Erosion, drought and mismanagement have reduced forest and agricultural land, and desert areas are expanding. With such disappointment and frustration one's commitment is tested to try to contribute to the development process in the low human development countries.

It is easy for the reader to pick out a few development-related key words from this brief tour of my assignments in developing countries. These are, at least: Governance, education, property rights, entrepreneurship and economy, globalization, health, culture, aid, security, war, nepotism, brain drain and corruption.

While most of the examples above are from countries where poverty continues to persist I feel that it is justified to assume that a sound development process can be set in motion by taking corrective measures.

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## INTRODUCTION

Development should take place now, because “in the long run we are all dead”. This call for action is taken from Keynes’ General Theory of Money. Such an exhortation implies also the questions, why is there so much poverty in developing countries, and how could the situation be improved? These have become the basic questions for development studies, the fairly young branch of social sciences that emerged after the Second World War. Since then these questions have been asked by a growing group of people, who are working to find answers and solutions to these problems. This growing group consists of ordinary citizens, researchers, and contemporary scholars. Several worldwide institutions derive the justification for their existence from their involvement with these challenging questions. Numerous development institutions have recently included development and poverty-reduction as a mandatory dimension in their activities.

Sen has taken up Keynes’ challenge seriously and has contributed greatly to the development debate. Following his Nobel Prize in 1998, he published his stimulating, encouraging and fascinating book, “Development as Freedom” (1999). Earlier in the 1990s, he, jointly with Streeten and Haq, developed the concept of human development thinking. The result of their work, the Human Development Index, HDI, is one of the most important indices on which planning, monitoring and evaluation are based worldwide. Human Development Index is a measure calculated on the basis of life expectancy, educational attainment, and gross national product. This index categorizes countries in three subgroups. These are: low human development countries, middle human development countries and countries with high index scores. Index scores are calculated annually worldwide and countries can be, and are from time to time moved up or down according to changes in the index factors. The statistics for 2006 showed that there were 31 countries in the low category.

This great challenge – the problem of how to promote the development of the low human development countries, LHDICs, has taken on an increasing urgency for me as a result of my work experience in developing countries in



many parts of the world for more than twenty years. The object of this study is to identify factors that trigger and enhance the development process, and those that hinder development in the Low Human Development Index Countries. *The first research question* is how to improve the development status of low human development index countries, the LHDICs.

Distinguished experts in this field have identified the following issues in their extensive research work: Quality of governance; sound property rights, especially with regards to land ownership; education, especially basic education for all; and sound economic policies. Further, the question of whether benefit may be derived from the solutions adopted by countries with a High Human Development Index, has been the focus of numerous recent development studies. (Stiglitz 2002; De Soto 2000; Sen 1999; Todaro 1997; Castells 1996; Hettne 1995; North 1981; Galbraith 1979; Myrdal 1968; Rostow 1960; Keynes 1936) A study of the writings of these above-mentioned scholars has turned my attention to these question also in the course of my work in developing countries. Further, the literature is quite rich in its treatment of long-durée and auxiliary factors. Long- durée factors refer to facts that we have to take as given and beyond our control. These are geography and climate. Auxiliary factors in this context are: culture, religion, colonialism, peace/conflicts, health, aid, communication and globalization. These factors form the “platform”, on which, governance, property rights, education and economic policies are regulated and performed. Therefore, finding sound solutions to the various problems that may arise in connection with these factors, i.e. central activities and features of any society, means that the basic question of how to enhance development and reduce poverty is answered at least partly. *The second, equally important research question* and aim of this research is to study explanations and the impact of these factors, governance, education, property rights, economic policy as answers to the first research question presented above.

In order to find answers and solutions to these questions, this study consists of the following parts. Firstly, a review of contemporary and relevant literature and research publications. Secondly, definitions and discussion of key concepts such as development, poverty and relevant indicators. Thirdly, discussion on the strategy level as to why LHDICs have not developed and how the High Human Development Index Countries, HHDICs have developed. Fourthly, in depth country analysis of Zambia, Thailand, Chile and Finland. These countries represent the low-HDI, middle-HDI, and high-HDI country groups. The purpose of these case studies is to try to identify major factors that have contributed to the rise of certain countries, and their moving up from one HDI category to the next. Both Chile and Finland belong to the HHDI group. Fifthly, conclusions are drawn for the purpose of highlighting major issues that could be included in a poverty reduction strategy; or to express it more positively, in a development strategy.

Research studies tend to consider these four issues – governance, education, property rights and economic policy in isolation; focusing on them one by one rather than combining them together so as to form a set of development prerequisites. This study aims to examine ways in which the four

factors might be combined to form a set of strategy interventions that work in tandem to achieve development that really makes a difference. Further, the question of how the different development-related factors are interlinked is raised. The literature is not very enlightening as to the time-span required for development activities designed to have an impact on development indicators. These time-related questions are raised as relevant for possible further study needs and to provide an answer to Keynes's question, of whether development may be achieved within the life-span of a generation. But such questions are too big to be exhaustively answered in this research paper. This study aims only at identifying and developing the major strategy elements required for development.

Part four of this study, the comparative analysis of the above-mentioned factors in selected countries in an unique, comprehensive and all-encompassing way will probably be the most important contribution to the discourse. Further, some index scores reflecting the status of governance, property rights, education and economic policy are compared with the scores of a maximum number of countries globally. These comparisons highlight strikingly big differences in these factors between the countries in the low and high index categories. The aim of presenting them is to give more impetus to the results of this study, and to development research and the development work itself; in developing countries in particular.

The search for answers to these research questions starts with keen interest.

## 2 DEVELOPMENT THEORIES

At this point, a brief introduction to development theorists is offered to suggest how some of their ideas are relevant to this study. The aim is to seek support for the main project; to arrive at an understanding of how to best develop a strategy for intervention. But expectations of help from this quarter should be modest, when we consider that the benefits derived from applying the findings of development studies have so far been modest, to say the least, in view of the continuing prevalence of poverty worldwide.

Development studies can be considered as a fairly young branch of the social sciences; having started only in 1940s after the Second World War. However, a beginning was made in 18<sup>th</sup> and 19<sup>th</sup> centuries by scholars whose ideas are building blocks even for today's contemporary theories. (Chapter 3.1.) Research involves three different levels. The first, the concept level, defines what development is. The second, the theory level considers how development can best be achieved. The third level can be considered the strategy level, where action plans and interventions are formulated. (Martinussen 1997, 14) The main focus of this study is on the third level, i.e. the strategy level. However, in order to be able to propose interventions, choices are made on levels one and two also. The choice on the first level is: Development is a process aiming at improving and eventually maximizing the HDI value.

The proposed action plans and interventions indicate that the level two question, how can development be achieved has been answered as well. The optimal mixture of three actors, the state, the market, and society is elaborated throughout the study. This would also mean that a mono-disciplinary approach would have to be rejected. Therefore, answers to the question of how development can be achieved and what kind of interventions and action plans are needed, are also answers to the question of how poverty can be reduced.

Development economics can be considered to have had two distinct generations. Many respected writers and organizations (Meier & Stiglitz 2001; WB 2002c, 6-8) consider the first generation to have covered the period 1950-1975 and the second from 1975 to the present. The first generation was

characterized by state oriented ideas and revolved around GNP/GDP as the most critical factor generating growth. The second generation focuses more on the market, ethical consideration, human capital and political economy.

WB (2002c, 6–8) further adds another view to the different phases in development theory, by marking the 1950s and 1960s as the period of Governments, followed by 1980s and 1990s as the period of markets. The new period which has just started, would be called a period of markets with government support. However, proceeding these generations of more contemporary development studies, a strong legacy of earlier classic studies should be acknowledged (See chapter 2.1.). But these are not discussed at length here, because the world has changed considerably since they were made.

Another way of categorizing development studies is to divide theories into groups according to their origin. Thus, there are theories from the core and theories from the periphery (Prebisch 1984). Prebisch made this distinction as early as the 1950s; he identified the core, or centre as the industrialized countries; while the periphery was the poor countries of Latin America, Africa and Asia. Obviously thinking varies considerably between theorists from these two groups of countries. Further, theories can be classified as: Purely economic development theories; socio-political theories in which the state plays the major role in the development process and thirdly, state and socio-economic development theories. This review will introduce major contributions from those schools of thought that are found relevant to this research.

Another dimension along which theories may be categorised is to divide them into modernization theory and dependency theories. The Modernization school of thought basically recommends that poor countries should follow the same path as the industrialised countries have taken and copy their development formulas. The Dependency school argues more or less the opposite; urging poor countries to define their own path to development because, according to the dependency theorists, the poverty of the poor countries is to be blamed on the industrialised countries. Both schools of thought have their sub-theories which partly fall within the scope of the above-mentioned theories and partly overlap each other. Real-world development theory construction trends seem to take a middle path between the extremes of mimetism, which is close to westernisation and /or modernization theory on the one hand and on the other, of indigenisation or parochialism. This is called midway universalisation. Hettne (1995)

As development studies as a branch of the social sciences developed, new schools of thought arose; subdivided according to the unit of analysis employed (individuals or institutional structures); validity (the perceived nature of the development process) and perspective (multidisciplinary or monodisciplinary) (Martinussen 1997, 54).

Before proceeding to the economic development theories, some credit should be given to certain of the classic scholars, whose findings or ideas have affected my thinking and are still valid today.

## 2.1 Classical and sociological theories

One of the four basic questions refers to market oriented economic policies based on entrepreneurship, which includes respect for market forces. Adam Smith (1774, 1776), in his “Wealth of Nations”, studied the role of the market in the development process and his concept of the “invisible hand” refers to the power and impact of demand and supply on the price mechanism. Capitalist market economies are grounded in this theory; while on the other hand, closed, centrally-planned socialist and communist regimes try to get a grip on this “invisible hand” and steer it by force. Looking at success rates globally, the evidence suggests the first approach is the more successful. The collapse of the Soviet Union probably serves as valid evidence.

Keynes (1883–1946) played a key role in the establishment of the World Bank and International Monetary Fund, and worked on the relationship between market and state. Based on his famous slogan that development should happen now because “in the long run we are all dead”, Keynes also expressed some considerable interest in the economic and living conditions in the countries in the periphery, or colonies, through global institutions like the WB and IMF. He emphasised good governance through sound regulatory interventions by the state. (Cepa.newschool.edu/profiles.) Thus, his contributions to the emergency of the welfare state through sound social policy was considerable (Townsend, 2004, 43).

Galbraith’s (1979) work touches upon two of the main research questions, namely, education and property rights.

Galbraith (ibid. 150) divides countries into three different poverty categories.

1. The Sub-Saharan model gives minimal cultural base and a lack of education as the most important explanations of poverty (ibid. 150). As stated above (see chapter 2.4), 29 LHDICs countries out of 31 are in Africa.
2. The Latin-American model is based on the structure of the society in Latin America. This means that the elite earn revenues without incentives from their land holdings, largely without having to engage in any functions or activities. As a result, the society remains static, and poverty persists among those without land holdings (ibid. 150). This is relevant to my question about property rights, especially land ownership. Even if land is not equitably distributed in Latin-America, it is registered with title-deeds and thus represents property rights.
3. The South Asian model blames high fertility and birth rates for poverty and the lack of adequate distribution of input and wealth. (ibid. 150) None of the LHDICS in 2006 were in Asia; indicating that all the four basic requirements – good governance, education, property rights and sound

economic policies – receive adequate attention. However, population growth stretches the economic capacity for growth to the limit.

Galbraith's three continental theories lead to the conclusion that solutions to the problem of development cannot be "One size fits all" solutions; but rather, tailor-made formulas are needed.

## 2.2 Economic development theories

Economic theories that will be referred to can be subdivided into growth and modernization, structuralism, neo-Marxist theories, theories on transnational corporations, TNCs, and theories based on agriculture and on limited natural resources.

### Growth and Modernization

My thinking, has some considerable congruence with the following growth and modernization theories; especially "take off" and "big push" theories. They can be said to be the first prominent school of economic development theories. Lewis (1955) introduced "stages of growth"; Nurkse (1953) wrote about "vicious circles"; Rosenstein-Rodan's (1957) slogan was "big push". Rostow's (1960) trademark was "take-off", Hirschman (1961) and Kuznets (1966) distinguished themselves with their "capacity-building" thinking, belonging to that prevalent among same schools of thought. They had in common the idea of development as a discontinuous process with different stages. One of the most prominent of them was probably Rostow with his "take off" theory. (Rostow, 1960) Rostow's stages are, (1) The traditional society, (2) Establishment of preconditions for take off, (3) The take-off stage, (4) The Drive to maturity, (5) Mass consumption (ibid. 9). Rosenstein-Rodan claimed that barriers to growth could be overcome if the State were to actively get involved in education and thereafter mobilize a large scale investment and industrialization programme. He used the analogy of a big airplane taking off from a runway. This he called a "big push" (Meier 1989, 409–410). My idea for good governance, in the form of land reform and compulsory education, would represent the establishment of the preconditions; and the take-off stage and growth to maturity would correspond to my idea for sound economic policies and entrepreneurship. The above-mentioned stages include or involve little redistribution, if any. This view that the problem of poverty can be solved through growth without having to rely much on redistribution is also supported by Titmuss (1976, 140–143).

Nurkse's vicious circles refer to factors trapping a country in poverty. LHDICs are in this kind of trap. Vicious circles are formed both on the demand and the supply side. The way to break out from this circle is to create incentives for large-scale investments, using foreign aid as an additional impetus. (Nurkse

1953) Incentive is almost a synonym for property rights (Easterly 2002), which is one my four basic questions. Both Rosenstein-Rodan and Nurkse grounded their thinking in the idea that an increased supply of goods would increase demand and eventually enable breaking out from vicious circles. Hirschman blamed a lack for capacity building and lack of entrepreneurship for underdevelopment; and consequently suggested that those obstacles should be removed. His term capacity building means education and training. (Hirschman 1961) Capacity building again is in line with importance of education.

Another model, favoured by, among others, the WB (2003, 2004), is the so-called aggregate growth model. One example of this model is the Harrod-Domar model, which considers savings, investment, consumption and production, and uses the capital vs. output ratio in order to determine the investments required for a predetermined income (Todaro 1997, 229). Cost-benefit analysis and input-output analysis fall into the same category of models. The World Bank has used these models in determining the gap between the two model components for external financing.

### **Structuralism**

The word structuralism refers to the conception that the basic economic structure in any given society is like a steel frame (Martinussen 1997, 73-76). This school of thought can be described as the economic capitalist approach, emphasising industrialisation and insisting that development must come from within. (Prebisch 1984; Singer 1984). Prebisch also introduced the "centre-periphery model" as explained in Section 3.1, above. Neo-structuralism emerged as a new recipe based on the same fundamentals but with emphasis on competitive export capability (Sunkel 1993). Myrdal (1968) shared the same thinking. One of his key theories is "circular cumulative causation" which he elaborated on in his very comprehensive book, *The Asian drama*. My view, too, is that development must come from within; and therefore foreign aid/technical assistance should be considered as a marginal factor only, not as one of the basic preconditions for development.

### **Neo-Marxist theories**

Neo-Marxist theory is obviously based on Marxism itself, which has been probably one of the most controversial of economic and sociological development theories. Neo-Marxism has also been called the dependency school. (Marx 1976; Amin 1976, 1999; Baran 1957; Cardoso 1972; Frank 1967) I agree with the views of the many writers, who have found it difficult to support Amin's theory or Marxist dependency theories. (See De Beer & Swanepoel 2000, 44; Wolf 2004, XI; Stiglitz 2002, 189; Todaro 1997, 86; North 1981.) However, the suggestion of Amin (1976), introducing only one currency worldwide would seem to be a very sound proposal, which could eliminate the ongoing game of

zero-sum currency speculations. The Euro currency is a good example of this development trend.

### **Theories on Transnational Corporations and International Division of labour**

This subgroup of theories represents globalization (See chapter 4.1.8.), which I consider to be an important element in the development process.

The 1970s marked the beginning of theories of internationalisation and transnational corporations, TNCs. Private Firms play the most important role in economic development in these theories. Internationalisation started to develop the forces which have since transformed the world into a global village, in which people can gradually get the feeling of all being in the same boat. Fast advancements in the IT sector certainly have contributed considerably to this end. The theory of product life-cycle is one of the schools of thought emerging in the 1970s. According to Hymer (1976), increasing competition caused firms to move to developing countries which could produce old goods more cheaply and with the aid of new technology, could also produce more sophisticated goods as well; hence the term product life cycle. Taylorism and Fordism (Harvey 1989) involved division of the production process into smaller manageable phases aimed at improved efficiency.

Fröbel, Heinrichs and Krey (1980) explained increasing internationalisation in terms of various major points. Due to competition, cheap labour in the developing countries had to be accessed. This was possible by splitting at least part of some production processes, and carrying some of the phases out in the developing world. This in turn was made possible by developing further and utilizing an existing advanced worldwide communication and transport system. Further factors accelerating internationalisation process were thought to be: Saturation of western markets, tightening environmental regulation, improved legal framework structures as well as improved business infrastructure.

Porter worked mainly on the corporate level, specialising in studying the comparative advantages of different firms; but he extended his ideas to apply on the global level between nations. (Porter 1990) However, during this ongoing globalisation process the unit of analysis seems to be changing from the nation to the firm, TNCs representing the firm as an actor. Profit transfers also bring in another dimension of worldwide capital flows. Obviously TNCs have a long list of advantages and disadvantages and represent a huge challenge for regulatory work on national and global level (Coase 1960; Todaro 1997, 533-535).

### **Theories which focus on agricultural development**

According to Senghaas (1985, 28-36) the industrial revolution in England was preceded by an agricultural revolution. Further, he considered the appropriate agrarian structures to have been the most essential prerequisite for the successful Scandinavian development process. Senghaas identified 8



prerequisites for a successful development process, and organized peasantry was also among those eight conditions (ibid. 90). Subsequently, this also highlights the importance of land ownership and property rights. Sen also pointed out the importance of institutional arrangements with regard to agriculture when he said: "There have never been famines in functioning democracies" (Sen 1999, XX). One of the contemporary initiatives in the field of agriculture is "The Green Revolution". This refers mainly to technological research and development in the search for better varieties of crops, productivity and increased yields. The Consultative Group of International Agriculture Research Centres do extremely valuable work in this field. This group forms a worldwide network of research stations and it is a good example of globalization. (CGIAR 2005)

Agriculture was seen as a prerequisite for people to be able to live healthy lives and do meaningful things. Secondly, it had to be developed in order to ensure it did not become an obstacle to growth and development. Agriculture could contribute through markets, to other sectors; for which it could become a resource, by providing products; and it could become an actor on financial markets. (Kuznets 1966; Shultz 1964; Lipton 1993) This seems to have been one important factor for Finland's positive development trajectory. (See chapter 6.2.4.).

### **Theories of economic development with limited natural resources**

Common-pool resources are another hotly-debated issue. A few examples of these are common grazing areas, common forests, and common fishing areas. Problems related to common resources are issues: such as the depletion of fishing stocks, the ozone layer, and like phenomena. The concept of a "Tragedy of Commons" was first introduced by Hardin (1968) and refers to problems like deciding who is in charge of ozone depletion, open-sea fishing stocks, etc.. Research into, and experiments involving state control, privatisation and international treaties with regard to limited resources have given contradictory results so far. (Boserub 1981; Ehrlich 1968)

The Club of Rome and the Bruntlands Commission are examples of institution-building in this area. The document, "Limits of Growth" gave rise to widespread international debate on the relationship between limited resources and growing population. The Bruntlands commission turned the terminology upside down and introduced the concept of Sustainable Development (see Chapter 2.1). In subsequent debates, questions like social value and the trade-off value of the environment have been raised. Recommendations for assigning economic values in clear monetary terms to environmental phenomena like pollution, depletion and the like, have already been made for some time (WB 1992). This measure would help to charge relevant actors for the costs of damaging exploitation, pollution, and depletion; and thus reduce the justification for blaming the capitalist system for environmental problems (Hettne 1995; Harvey 1996). In the new millennium, emission rights are already traded on the formally-established global market place.

## 2.3 State related development theories

Questions considered relevant to this study of state related theories are: What states are, what kind of governance they provide, and what kinds of assumptions and values their governance is based on.

Good governance is one of my four postulated necessary conditions for enabling countries to advance on the development path. (Chapter 4.2.1) Governance is about the state and the state in relation to politics and society; and therefore I want to compare my research question against related theories. The school of state-building emerged in the 1960's and mainly concentrates on macro-level phenomena, state-building and forms of government, political change, political processes and the role of politics in society.

### What states are

States are defined as: products by themselves and institutions for agenda and discourse setting and settling their conflicting interests, manifestations of structures, arenas for interactions and actors in their own right. Another dimension of these roles of the state is the line between two extremes, namely the state-centred and the society-centred state. The former is based on the assumption that the state has more influence on the society than the other way round, which would mean being society-centred. (Myrdal 1968; Poulantzas 1978; Clark & Dear 1984) It seems that LHDICS tend to be more actors in their own right; while the higher the HDI index is, the more states are institutions for agenda and discourse setting and for settling of conflicting interests.

"States are not standardized commodities. They come in a wide array of sizes, shapes and styles" (Evans 1989). Evans categorized states as predatory, intermediate, developmental and capitalist. A predatory state is ruled typically by a tyrant who uses the state for his own selfish interests only, and the state itself has no real ability to carry out its tasks and functions. Many of the LHDICs fall into this category of countries. The other extreme is called the developmental state, which represents the ideal form of state whereby all governance is carried out in an exemplary way. Countries between these two extremes, Evans calls intermediate states. Characteristics of developmental states seem to be at least: political stability, governance which supports entrepreneurship and the market mechanism, and high investment in education. The more these features are found in countries, the higher is the likelihood of their belonging to the group of HHDICs. (See chapter 6, case studies)

Based on Easton's basic frame model (1965), Almond researched (Almond & Coleman, 1960) issues like political socialization, political recruitment, the articulation of interest and the aggregation of interest. Political systems were categorized as: extractive, symbolic, regulative, distributive, and responsive

systems. These five categories refer to the capacity of the system to attract people, to regulate people's lives, to distribute services and goods, to command adequate support and to respond to feedback, respectively. Again this is relevant to my research. The more advanced countries are the more regulative, distributive and responsive they seem to be. Political systems in LHDICs seem as extractive and symbolic.

### **What kind of governance do states perform and on what basic assumptions and values?**

"Dialectical modernization theory is concerned with exploring the roles of modernity and tradition in the development process. Tradition deserves to be defended, and modernity and tradition can both gain from the dialectical interaction between them, which can result in new creative results and systems (Gusfield 1976). Further, it could even prove to be a mistake to ignore traditional values and customs. Such ignorance could lead to people losing their commitment to action, and thus to failure in system-building and implementation. Raumolin (1990, 4) terms extreme modernisation an "intellectual staple trap", which refers to a lack of original thinking in periphery and excessive imitation of the centre. Bayart (1993) urged that historical trajectories should be considered. More specifically, the approach to nation and state-building has to be culturally sensitive; respecting the level of development, religion, and other cultural features of any given society. Huntington (1968) and Clapman (1985) had observed that state-building strategies had moved away from oppressive, tax collecting and regulating policies towards encouraging, facilitating and supporting policies. Definition of good governance in the upcoming chapters will not contradict these principles. (Chapter 4.2.)

In chapter 4.1.4. the issue of security is raised as another prerequisite for development and this has been supported by, among others, Apter (1987); who criticized both modernisation and dependency theories and focused more on the negative consequences of development, namely violence and marginalisation within political systems. He argued that innovation and industrialisation create polarized winners and losers, and that the losers then tend to react with violence against the state. This polarization needs to be addressed; otherwise violation can reach such a scale that it becomes a serious obstacle to development.

Attempts were made to explain similarities and dissimilarities between various third-world political structures within this sub-school of thought. Democratization is at the centre of such studies. The fact that most of the LHDICs had formerly been under colonial rule, and that this circumstance might partly explain their status gets some support from Alavi (1982). He argued that developing countries were over-organized during the period of colonialism. After independence, local rulers did not fit in, and vice versa; and as a result, governance started to deteriorate. While the civil and military bureaucracies were overdeveloped, the parliamentary and party systems lagged behind. As a result, nations became like "amputated states". Further,

colonial borders did not match very well with ethnic boundaries; aggravating problems and leading to non-democratic solutions, like the over-use of military power. Ethnic differences include dimensions like linguistic multiplicity, tribal affiliations and religion.

Jackson and Rosberg (1982), on the other hand, have concluded that in Africa there has never been legitimate governance at all; but rather: "The person has always exceeded his theoretical powers". Various categories of such leadership can be called: princely rule, autocratic rule, prophetic rule and tyrannical rule. Many scholars support these observations (Sandbrook 1985; Hyden 1983). This type of leadership is also called patrimonialism and is based on the mutually beneficial patron-client relationship. Citizens and lower level-rulers represent the clientele. In its negative form this system has been labelled tribalism, nepotism and even corruption. Bhagwati (1982) introduces the term "directly unproductive profit-seeking", DUP, heavily blaming bureaucratic state interventions. The relative strength of the bourgeoisie in the area of legislation leads to more democratic rule; while strength in the executive branch results in somewhat more autocratic rule (Moore 1966; Martinussen 1997).

Religion is not normally included by political theorists as an acceptable theoretical building-block. However, the Islamic religion in some cases, form an exception, since the Islamic states religion often dominates secular life. The Koran dictates how governmental institutions are established, and how they should function. Secular rulers only interpret the Koran, and implementation follows in a very authoritative style without anybody allowed to challenge the system. (Olsen 1994; Rosenthal 1965; Ferdinand & Mozaffari 1988; Castells 1997, 13-20)

Myrdal (1968) has, in his extensive studies, introduced the concept of the "Soft State". By this he means states which, in the Third World in particular, although they have rules and laws, do not reinforce them, and on the other hand, the citizens of such states do not follow the rules, either. The result is a "soft state". Some non-economic factors also contribute to the "softness". These are attitudes, namely attitudes towards life, work and institutions which have a certain negative inclination or flavour. Further, legislation in many LHDIC countries is based on a dual system of statutory and customary court rulings. That leaves space for too much interpretation, and even corruption.

Hyden (1983) developed the concept of the "Economy of Affection". This refers to the fact that in poor countries, especially in Africa, the loyalty chain follows the pattern: family - band - tribe - chiefdom - state, irrespective of the issue at stake. These loyalty grids are regulated by tradition, social status, and mutually-binding obligation. This system which is also called extended family life-commitment or "harambee" (to take Kenya as an example) is very effective and has even saved lives. Anybody who has failed, or suffered hardships of some kind is cared for by this extended-commitment system. Without it, people in trouble would have nothing to support them, because there are no official social security systems in LHDICs. In spite of its strengths it can also have negative side-effects, such as nepotism and tribalism. According to Hyden, this Economy of Affection combined with a weak state is the most important reason

for persistent poverty. His recipe for improvement is to dismantle this combination by supporting capitalism.

Compared to economics and politics, the question of security has been somewhat neglected in development research, but seems to be gaining ground and importance as time goes by. Hettne (1986) and Chai-Anan (1991) have done extensive work in this area. According to Chai-Anan, security is the most important role of the State, and in fact development and security go hand in hand. He defines the state as three-dimensional, with development, participation and security as the dimensions. When people feel secure and safe they can participate in the activities of their societies and achieve development as a result. Security is often associated with military expansionism and /or strongly held religious values; but according to Korhonen (1998, 12), military expansionism, religious values and economic values can be in harmony.

Cultural and religious factors are probably the chief reasons for breaches of security. To an extent, it seems that Islam has taken over from communism the role of anti-western movement. Buzan (1991) also observes that the periphery or Third World developing countries are now in a more subordinate role compared to the industrialized West than they were when decolonisation began. This may threaten security in the long run if poverty and polarization cannot be reduced.

## **2.4 Societal development theories**

To conclude this tour of development theories, attention is now shifted to the civil society and people. To justify focusing on the society, it is enough to think of any state, market or political system and institution, remove all the people from it, and ask outsiders, what is the use of this system? Let's bring the people back and focus on them.

Based on my review, relevant theories to my research are concerned with the following: Human development (HDI), basic needs, ethnicity and loyalties, participation, and people management.

### **Alternative Development**

From the 1980s, new dimensions have emerged in development discourse, called "alternative development". These can further be divided into two subgroups. The first re-defines the goals of development, and asks how progress towards the achievement of these goals can be measured. These new goals are human development-related, and are at the core of this study. Sen (1999), Seers (1972, 1977), Streeten (1994, 1997) and Haq (1995) can be said to have been associated with the UNDP and the UNEP, the founding fathers and core of the first subgroup. The second subgroup has been named Theories of Civil Society, and deals with issues of local communities as means to achieve

development and promote human welfare. John Friedman is a proponent and a critic, who considers that the development process should start locally at the grass-roots level, but that it cannot end there and that the process would fail without cooperation with and support from the state (Friedman 1992).

### **Poverty and Social development, the Basic Needs Approach**

At an early stage of development theory building, there was a tendency among researchers working on social development and poverty reduction, to regard the poor as invisible, hidden behind statistics. Later they became visible, but as “clients” only; and at present time they are becoming more and more visible, as living and active agents. (Chenery et al. 1974; ILO 1976; Streeten 1994) This change in approach towards the poor has also been reflected in theories. Basic needs approach, trickle-down and trickle-up phenomena, and the core of this study, HDI, is also products of this school.

The basic question here is whether participation is a means or an end? Formerly, the masses were considered too ignorant of essential issues, and lacking the education and knowledge required for meaningful participation. Even if people could contribute it was considered important that participation did not exceed institutionalisation. Now, however, various UN Agencies strongly advocate public participation as a means to promote development and to an extent also, as an end in itself. Official authorities are people as well. Huntington (1968) and Hyden (1983) have been actively researching these issues; raising the question of whether the State should reach down to people or whether people should reach up to the State.

The Basic needs approach gained ground in the 1980s, when other theories were apparently failing to yield satisfactory results. Most of the influential international organizations started to raise the status of the poor in their programmes, first to the “client” stage and then to the “actor” stage (OECD 1987, 10). The OECD defines clients as citizens, groups and companies with whom the administration has contact. At the preceding stage of “passive objectives”, the poor did not participate at all in any developmental activities. As “clients” they could or can participate in or be recipients of Governments services, but as outsiders in relation to the administration of governance. As “actors” the poor can have two roles, i.e. first as clients and secondly as part of the governance administration, at least on a part-time basis. This enables the poor to make initiatives, perform, and even take the lead in developmental activities. Gradually theory-building resulted in the Human Development Approach and the HDI index.

### **Civil Society and Informal Sector**

Polanyi (1977) and Friedman (1992) ground their theories in the idea that people’s behaviour is guided by a complex mixture of social and cultural relations, in which economic utility plays only a marginal role. Informal sector activities are part of a survival strategy made necessary by a lack of jobs in the

formal-sector market place and because, at times, legislation is so absurd that it prevents people from crossing the borderline from the informal sector to the formal one. De Soto (2000) and Streeten (1994) define informal sector as consisting of, at least, the following characteristics: People employ themselves, using unpaid labour or family members to help them, work being done using casual labour on a daily or hourly basis, by people who avoid taxes and other legal obligations. Elson (2004,65) calls it “unpaid care economy” as opposite to the “commodity economy”.

The power of the informal sector appears, not only in form of the work done, but also in people’s attitudes and the leverage they can exert through passivity, in refusing to co-operate with unaccepted rulers and policies, even though they do not have any formal power. Scott (1985) calls this “Citizen resistance” and says that this phenomenon is much more effective than it appears to be. In the long run even good systems and approaches fail without cooperation from the people in the community. Citizen resistance is the “weapon of the weak”.

### **Ethnicity, Loyalty, Nationality**

Loyalty and ethnicity are areas in which development studies cross borders and challenge the present geographical, geopolitical, national and ethnic set-up of countries. One of the challenges raised is the question of whether the right term should be state-nation or nation-state. The congruence between nation and state is called in question when issues of loyalty and ethnic identity are raised. Countries with such congruence represent the first category in Stavenhagen’s classification. (Stavenhagen 1990) Thailand, one case studied in this paper, is considered as having high congruence in this regard. (See chapter 6)

Second category consists of countries in which people do not appreciate the state. Most countries in Africa belong to this group. According to Clapham (1985), people identify themselves in terms of ethnic groups and local communities much more than in terms of the state. The present more than 50 African countries are the result of a transformation process which began with approximately 5000 small chiefdoms and kingdoms some centuries ago. The third category consists of countries that comprise only small parts of an ethnic group. The Middle East Arab states are one example. (Castells 1997, 14-19)

The fourth category is the group of countries in which several large ethnic groups live together without much loyalty to the nation. A nation is defined as a group of people who feel solidarity, and consider themselves to have a collective identity and who may in consequence also feel dissimilar to other such groups of people. A state, on the other hand, relates to territorial integrity and sovereignty, achieved under one set of political and economic institutions. Consequently, nation-building and state-building differ accordingly. South and South-East Asia serve as examples (Stavenhagen 1990).

Ethnicity is defined as consisting of a common language, race, religion and territorial affinity. Geertz (1963, 1973) takes the view that the concept of a “people” does not refer to individuals or nation, but to ethnic groups. Brass

(1991) argues that national and ethnic groups have been politicised by the ruling elites to gain more control. Further, nations and ethnic groups can, as a result, be identified according to their joint opposition to rival groupings as much as in terms of their in-group mutual positivism.

### **People- managed development**

Most of the mainstream theorists assume public or private organizations to be the implementers of whatever theories are selected for implementation. However, if we once more remove everyone from the earth for a while, neither theory-building nor implementation would take place. Even organizations and institutions are man-made, and manned by people, people who also have their roles as ordinary citizens. Therefore the fundamental question “Who should implement development strategies” is answered – people themselves. Gran (1983), Friedman (1992), Chambers (1983), Haq (1995) among others, are proponents of this thinking. According to Gran, in particular, bureaucracy is the stumbling-block and decentralization, handing power to people is the solution to effective implementation.

### **Development as Freedom**

Last, and most importantly, this is the place to summarize Sen’s (1999) development theory, *Development as Freedom*. Freedom is both the primary end, and the principal means of development. Freedom is a condition that allows the ordinary citizens of a country to make their own decisions; and provides them with the opportunities to implement these. Freedom enhances the ability of people to help themselves and influence the world. Further, people cannot expect deliverance to come from heaven. They have to take responsibility for shaping their own destiny; and thus the poor are the solution as much as the problem. If someone has a right, there is no substitute for his responsibility in realizing it. Responsibility, in turn, requires freedom. Freedom as primary end of development is “constitutive” in nature and as principal means, it is “instrumental” in nature. (ibid. 36)

Achieving freedom involves removing unfreedoms and thus includes freedom from constraints and freedom to do things that people value. Different types of freedom are: political freedom, access to economic facilities, social opportunities, transparency guarantees, protective security. These different types of freedoms strengthen each other transforming them into one’s capability to implement and materialize what one values.

Sen is widely quoted and credited when his thinking is being discussed. However, in that context, Eskelinen (2009) and Pogge (2008) bring in concepts of negative rights and negative duties into the discourse. Negative right is the right of being allowed not to be harmed by others and negative duty is the duty not to cause harm to others. Indeed, freedom from harm can enhance one’s capability and freedom to whatever one is trying to achieve.



On the roles that people have, client - actor, Sen expands the scale by including the role as an agent. Sen defines "agent" in its "grander" sense, referring to someone who acts and brings about change, and whose achievements can be judged in terms of her own values and objectives, whether or not we assess them in terms of some external criteria as well.

When expanding the Agency view to include women, the impact will extend beyond the gender issue and benefit the whole society through reduction of fertility and thus the entire population issue.

When achieved, freedoms facilitate participation in governance, which in turn means that democracy prevails. Democracy is another cornerstone in Sen's thinking. Its significance lies in its:

- Intrinsic importance
- Instrumental contribution
- Constructive role

However, how successful democracy is, depends on how free citizens realize its potential. As a practical example, he highlights that famines never occur in democracies. This is the result of open discussion, public scrutiny, electoral politics, and uncensored media.

Cultural freedom on national, regional and global level requires and involves tolerance towards other cultures. Sen (199, 244) insists that while we emphasise our own culture, we should be able to understand others and even enjoy products of other cultures and lands. Failing this signifies hidden rejection of freedom of someone representing other values.

Sen's theory also acknowledges the importance of many-sided approach. This means rejecting compartmentalized views or single all-purpose remedies.

The fact that Sen's work won him the Nobel Prize theory symbolizes the contribution he has made to the process of finding answers to what development is and how best achieve it. Concluding our tour of major development theories, which has been moving from the market through the state to the society and people themselves, one conclusion is that the literature has not very much to say regarding the relationships and interlinks and between the different prerequisites for development.

## **2.5 Summary of the introduction to development theories**

These theories focus mainly on the first and second levels of development study objectives, namely concept and theory levels; from which levels there is a long way to go before real-life poverty is alleviated and reduced. It can also be concluded that after development has taken place and poverty reduced, another round of adjusting indicators may start on a higher level all over again. Further,

these theories do not touch much on the question of the time-spans of remedies and their impact.

The triangle chart below summarizes the theories presented above.

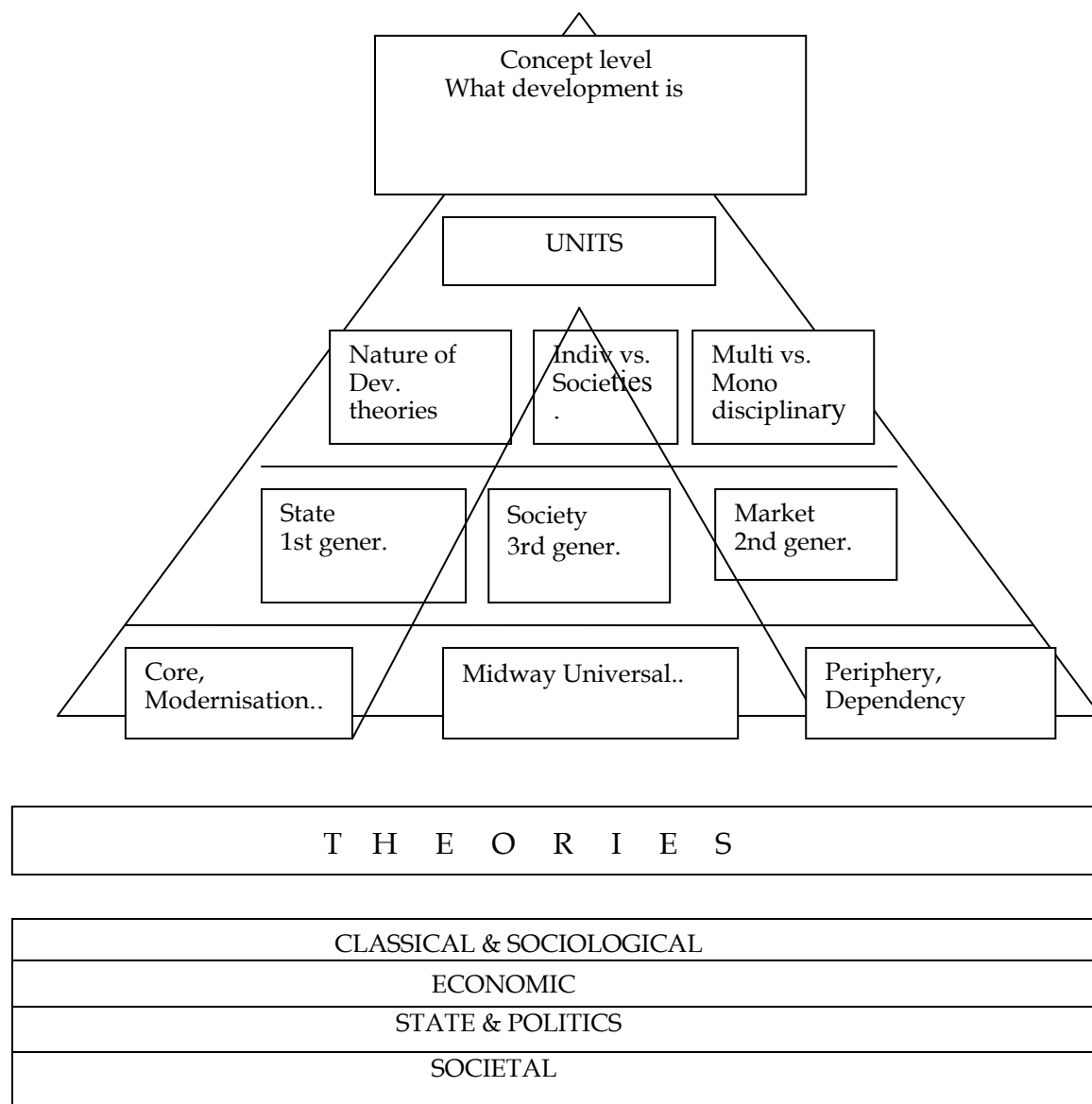


FIGURE 1 Categories and dimensions of development theories.

The triangle illustrates the complexity of development. In any given country all dimension are present when times go by. Development goals are set, which in this study are best possible HDI index values. Units refer to individuals and institutions. Institutions are instruments only but countries are given HDI values as composite scores of individuals. Nature of development refers to ever on-going change process and multidisciplinary approach is used as opposite to applying only one approach to development work (mono disciplinary). All the three actors, state, market and society are unavoidably involved in development work but emphasis can vary based on country level political

choices. Countries can also make choices on level of cooperation they want to apply. They can go on in isolation with their own unique recipes (periphery & dependency) or they can try to learn from success stories by copying (core & modernization) or by combining the two approaches. Based on the choices above, numerous theories have been developed with varying level of success.

To summarize, I try to conclude how the theories reviewed above, relate to, support or contradict the basic research question. Firstly, these theories focus mainly on level 1, what development is, and level 2, how development can be achieved. Basically, the Human development index has been chosen as a measure of development and a subsequently improved index value is the development goal in this context. Secondly, development theories try to answer the question, how development can best be achieved. The strategy level, the third level analysis, is still needed in order to formulate concrete strategy-level actions and interventions. This analysis is carried out in chapter 4, based on the work and writings of contemporary global-level development actors in addition to academic scholars. Thereafter, the factors that have emerged as key interventions, are analysed in four case studies, Zambia, Thailand, Chile and Finland.

The following theories and research results are the most appealing and agreeable ones. Good governance appears as a cross-cutting theme, and democracy is overwhelmingly associated with good governance (Sen 1999). Mid-way approach is emphasized, whereby the former extremes of left /right are rejected (North 1981) and cooperation with the market and people is the key to progress without overplaying the role of government (Stiglitz 2002).

Education is another cross-cutting goal and intervention. Sen (1999) agrees as to its importance; he states that through education, people become subjects and actors instead of being objects. Todaro (1997) agrees, adding that education is the only way to eliminate the problem of people being free riders, which destiny awaits the uneducated.

The importance of property rights is highlighted by North (1981) and Stiglitz (2002). The absence of property rights has been analysed by Myrdal and Hyden (1983). Myrdal (1968) concluded that in soft states, rules are not followed; leading to underdevelopment

De Sotos's (2000) extensive studies on land ownership issues will be elaborated further, highlighting the importance of property rights in chapter 4.

Sound economic policies and activities are also covered extensively in the research literature. Smith's (1776 in 1974, ed.) invisible hand functions irrespectively of any political regulation. Porter's (1990) comparative advantage is based on a meaningful division of labour among nations. It is easy to agree with Rostow (1960) "stages of growth" school of thought. Keynes' (1936 in 1973 ed.) contributions as a founding father of global institutions are still most relevant.

To summarize, it would be easy to believe that most of the development theories highlighted in the summary above could enhance the development process. This leaves one wondering why the warning in the opening paragraph of this chapter is true; that the benefits derived from applying the findings of

developments studies have so far been modest, to say the least, in view of the continuing prevalence of poverty worldwide. Maybe the solution could be in Hettne's (1995) advocacy for midway universalisation and Sen's (1999) thesis concerning freedom as both means and end for people, as actors, combining the most important development factors, governance, education, property right and economy into a strategy, whereby they work in tandem and in parallel.

### **3 DEVELOPMENT**

Selecting the Human Development Index, HDI, as indicator of development required familiarisation with other measures and concepts of development in order to make sure that the HDI was the most versatile and representative index available and also the one that would best define the ultimate goal of development in the context of my research. The components of the HDI index – GNP, longevity and education – are elaborated in paragraph 3.3. However, in spite of selecting HDI as a measure, the main focus of this paper is on the development process. Subsequent proposed interventions, and elements of strategy may serve the purpose of other than HDI goals without contradicting each other and /or the development process.

#### **3.1 Definitions of development and poverty**

##### **Development**

Alternative measures of development are many. Some of these are overlapping to some extent, and some of them answer questions on all three levels (concept, theory and strategy levels) of development studies. Below, some of the major competing definitions are discussed. These are happiness/well-being, freedom, sustainable development, Millennium Development goals, economic growth and security. Further, some of the characteristics of development are also introduced.

Reference is made to Aristotle's statement, "Wealth is evidently not the good we are seeking for it is merely useful for the sake of something else". This centuries-old statement seems to make sense even in today's contemporary world. Aristotle considered happiness as the ultimate goal in life. Consequently, the ideal state is one in which people can achieve happiness. (Sen 1999, 14; Sihvola 1998) Allardt (1976, 33) makes a distinction between

happiness and well-being: happiness is more of a passing phenomenon, while well-being is a more stable and permanent condition.

Alternatively, that “something else” that Aristotle referred to, could be freedom, namely, freedom from something and freedom to something. The Nobel Prize laureate Sen (1999) has made a huge contribution to the process of finding an answer to this question through his book “Development as freedom”. He defines freedom as a condition that allows the ordinary citizens of a country to make their own decisions; and provides them with the opportunities to implement these. Freedom enhances the ability of people to help themselves and influence the world. Freedom is both the primary end, and the principal means of development, and thus the poor are the solution as much as the problem. In its 2001 development report, the UNDP agreed with this view: it defined development as expanding the choices that people have to lead lives that they value (UNDP 2001a, 9). Ringen (2007, 16) thinks it wise not to go too far in assuming what people want and therefore he limits his definition to people as “choosers”. Castells (2000a, 481) also discusses freedom and concludes that freedom should be achieved during a person’s lifetime; because there is no dignity in death, only in the life that preceded it.

If a reliable and appropriate measure were available, it would be interesting to categorize countries as low, medium and high category countries using as an index, freedom, as this is defined by Sen. Attempts have been made to construct such ratings, and the one devised by Freedom House is probably most advanced so far. Since 1972, Freedom House has published an annual assessment of the state of freedom in all countries. Each country is assigned a rating for political rights and civil liberties based on a scale of 1 to 7, with 1 representing the highest degree of freedom. The combined average of each country’s political rights and civil liberties rating determines an overall assigned status of free, partly free or not free. (Freedomhouse 2006.)

The UN has established Millennium Development Goals to be achieved by 2015. These were set by the international community, as shown below. These too are based on the assumption that poverty reduction, or development consists of educational attainment, equality, health-related factors, and environment. The relevance of the list here is that five out the eight goals are directly related to the HDI index and its various components.

1. Reduce the proportion of people living in extreme poverty by half between 1990 and 2015
2. Enrol all children in primary school by 2015.
3. Achieve gender equality and the empowerment of women by 2005.
4. Child mortality rate to be reduced by two-thirds by 2015.
5. Maternal mortality rate to be reduced by three quarters by 2015.
6. Reproductive health to be accessible to all.
7. Environmental sustainability strategies in place by 2005 so as to reverse the Loss of environmental resources by 2015.
8. Establish global partnership for development.

To keep the Millennium development goals in perspective, we have to keep in mind that according to WB (2002c, X), life expectancy has increased by 20 years during the last 40 years, while the previous similar increase took a millennium. Further, during the past 30 years, illiteracy has been reduced from 47% to 25% among adults; while since 1965, GDP per capita has increased by 2.2% per year. However, these promising figures are global averages; and these trends do not apply to LHDICs.

Sustainable development as defined by the Brundtland commission (1987) has gained a lot of support and attracted attention from a variety of institutions and researchers. The definition is: "Progress that meets the needs of the present, without compromising the ability of future generations to meet their own needs" (WB 2003, 14). Hardin has wondered (See Lafferty 1999, 94) whether those supporting sustainability really are ready to starve to death in order to leave food for future generations; that is, for people who do not yet exist. Uurtimo (1994, 279) states that sustainability consists of social, economic and ecological processes that can be carried on indefinitely. The Finnish Government has adopted a similar concept to guide her development co-operation work. "Sustainable development is such economic and social development as is in harmony with the contingencies set by the natural environment" ([global.finland.fi](http://global.finland.fi)). Another way of expressing the same idea is a positive relationship between environment and capital-driven development (Järvelä 2001, 24). Further, Järvelä (2006, 24) refers to Banuri & Najam (2002, 59-62) and agrees that while sustainable development may sound like a rather long-term goal, sustainable livelihood may make more sense for people struggling with their everyday needs. Greig, Hulme and Turner (2007) conclude equality to be development, which can be reached through "redistributing the share of global resources to the poor, while reducing the share of the rich" (Greig, et.al; 2007, 257).

Development seems to include growth as one of most important elements. As Stiglitz (Stiglitz 2002, 82) has remarked, "Everyone believes in growth". He (2002, 224) further observes that the fruits of knowledge, information and research can benefit anybody with globalisation ongoing. In the early stages of development studies in the 1950s, economic growth was considered as a supreme goal in itself, and did not necessarily have to be connected with human development. Increased production and consumption were the most important objectives. Only in 1960s did the distribution of economic growth become an issue of some concern. The theory called "Trickle down economics" was one result of this concern. It is based on the thinking that eventually the benefits of growth will trickle down to benefit the poor as well. (See chapter 2.2., Theories of economic development).

Allen and Thomas (1999, 3) re-iterates the historical view of some scholars, including Polanyi (1957), when he says that "it has proved possible for development to occur without alleviating poverty. He further says that some even argue that development necessarily entails worsening poverty". This is probably only possible if one defines development narrowly by applying only

GNP indicators. When the HDI index is applied, development and poverty reduction go hand in hand.

Security is closely related to property rights, which is also one of the development prerequisites in my research question. The UNDP has also elaborated on this welcome additional dimension to the concept of what development is. Most societies possess most of the following: a judiciary, a ministry of justice, prisons, criminal investigation and prosecution services, human rights commissions, ombudspersons, armed forces, police, intelligence services, secret services, coastguards, border guards, customs authorities, security companies, and national guards. Further, there are additional non-statutory organizations also working on security. Indeed, feeling safe and secure is part of development, giving people peace of mind and enabling them to focus on their own affairs, whatever these might be. Further, security is also about being able to live unharmed by others and, on the other hand, without harming others. (UNDP 2002.)

According to Cowen and Shenton (1996), progress is a synonym for development; and for the opposite, underdevelopment, they use the term corruption. Wallerstein (1984, 107) also uses the term progress to signify development. He considers that it is not inevitable and that we have to struggle for it. Sen (1999, 35) points out to two mutually contrasting features of development; the first view agreeing with Wallerstein's "struggle" by seeing development as a fierce process, whereby "blood, sweat and tears" are needed in order to get and keep the process moving. The alternative view is to look at development as a "friendly process" characterized by congeniality and mutually beneficial exchanges.

Throughout their book, Cowen and Shenton discuss trusteeship as one of the most important questions with regard to development. They define trusteeship as the fact that people have to rely on others in life, whatever form this dependency may take and whatever its depth and intensity might be. Indeed, it is true that nobody can manage completely alone in life, at least not for long. Trusteeship is based on trust, which is a belief or confidence in the honesty, reliability and integrity of other persons. Consequently, trusteeship is more of a means to achieve development than part of the end itself. Trusteeship can be said to be a form of social capital. (Voipio 2000, 77-107). Bourdieu and Coleman defined social capital as something created by the interactions between people in the social space they inhabit. It is not the property of anybody, though all can engage in its production. (Mapl.com 2002) This will be further discussed in chapters 4.1 as the "glue combining the circles of communication" and as such, another prerequisite for development.

Words like civilization, modernization, liberation and also otherness are competing forms for development (Rist 1997, 25; Harvey 1989, 113-115). According to Rist (*ibid*, 27) development involves dimensions such as directionality, continuity, cumulateness and irreversibility. Continuity would mean that the development process would go on indefinitely. Is that possible? Further, to make development meaningful, there must be an opposite, at least a false opposite. It works the same way as the mathematical concept of average.



The average consists of values below and above itself. Rist also interestingly concludes (ibid, 240) that development is always perceived as something far away, somewhere else. Whitehead (2004, 97) adds to the discussion the dimension, “forward-looking”. When people’s basic needs are satisfied, their circumstances, and consequently, their goals, continue to evolve. (Allardt 1976, 16; Rinne-Koistinen 2004, 36; Järvelä 2001, 20-22) The HDI index is similarly relative. If every country were to reach the maximum score based on the present thresholds, these would probably be adjusted to higher levels. Rist (1997, 205) explains how the HDI as a goal and the HDI as an index came about. Within the international community there was a need to give a spiritual boost to largely discredited concepts like “social”, which had experienced some considerable inflation already. Development had to be made to appear human, and hence the Human Development Index.

Prominent economists, such as Sen (1999), Streeten (1997), and Haq (1995) regarded income only as a means to improve human welfare and not as an end in itself. Their thinking bore fruit in 1990, when the UNDP, included Human Development as a main topic in its annual development report. Since then HDI indexes have been calculated every year using the formula as defined in Chapter 3.3.4. In-country breakdown per province and district are also becoming more widely used all over the world.

From the above, it may be concluded that development is valuable. But value includes the dimension of being in short supply, something which also applies to the component elements of HDI. A long life, a decent level of wealth expressed as GNP, and educational attainment are considered as valuable, but only some people can have them. Length of life relates to time, thus making it one dimension of development. Castells (2002, 494) elaborates on the concept of time, saying that time is a succession of things and that without things there would not be any time. Korhonen (1998, 29-31) contemplates the significance of time by making a distinction between the linear time measured by the clock and all the various calendars, and the “human time” which consists of a procession of stages and moments, moments before and after stages. We live through our stages and moments at a randomly defined point in the magnificent emptiness of infinity. Castells (2002, 356) adds another difficult dimension to the discussion. “We do not see reality as it is but as our languages are”. This statement makes development even more relative, further complicating related aspects. By his reference to languages, Castells probably means that reality is seen by people differently depending on their value systems and the symbols representing this. Such considerations, the variable nature of time, and the fact that development is always “far away” makes development difficult to define and achieve.

### **Definitions of poverty**

It is equally important to define poverty since the aim is to reduce poverty through development strategy. Secondly, poverty being the most commonly accepted opposite to development, it helps to anchor both concepts in relation

to each other and establish their place in the field of social sciences. First, some commonly used definitions in literature are covered. Secondly and most importantly, relativity of poverty in the more affluent North and poor South is discussed.

Sen (1999) defines capability deprivation as an important aspect of poverty. Capability he defines as including the possibility to use all possible means to achieve one's goals. A person deprived of these means is poor. Someone deprived of freedoms is victim of unfreedom and this state of affairs can be described as underdevelopment or poverty.

Congruent with Sen's thinking, Ringen (2007, 162) talks about accumulated deprivation. In the opposite case of someone having all the freedom as Sen included in his list, (political freedom, economic facilities, social opportunities, transparency guarantees, protective security) one would have accumulated, mutually reinforcing capability. Some of those freedoms missing can lead to all of them missing, translating into accumulative deprivation. Some scholars use the term vicious circle for the same phenomenon.

A widely agreed definition of poverty is: no property and unsatisfied basic needs. According to Doyal & Gough (1991) basic needs are health and autonomy. Health includes both physical and mental dimension of the concept. Autonomy stands for ability to make informed choices about what should be done and how to go about doing it. This makes it tantamount to agency and thus very similar to Sen's concepts of freedom and agent. However, Doyal & Gough (1991, 39) emphasise the difference between needs and wants. People want many things they do not really need and they have needs that they do not necessarily even know of. The ultimate aim of satisfying needs is to avoid harm. Unsatisfied basic need signifies poverty.

Ritakallio (1991, 3-4) distinguishes between silent or invisible poverty and visible poverty. Further, he observes that poverty is defined in relation to the prevailing culture and circumstances. He goes on to note (1991, 6) that poverty is both objective and subjective. Somebody regarded by the community as not poor, can feel poor; and vice versa. Whether objective or subjective, poverty is involuntary and unintentional by nature. Ritakallio also elaborates on macro-level theories of poverty, whereby a distinction is made between respectable and non-respectable poor behaviour and between allowable and tolerable poverty.

Townsend (1969; 1979, 57, 249) defines poverty as prevailing when people withdraw from their normal lives as a consequence of their diminishing income. When withdrawal is judged to have occurred, based on the subject's own view, the judgement is said to be based on the deprivation standard. When based on a level generally accepted by the community, it is said to be based on the social consensus model.

Thomas (Meier & Stiglitz 2001, 154); Sen (1999, 87-110); Todaro (1997, 150-160); Chambers (1983); Castells (2000b, 69-165) and De Beer & Swanepoel (2000) all discuss poverty at length in their publications concerning their various research results. They all write along the same lines as Townsend and Ritakallio. The concept of poverty has been also defined to include missing

opportunities, lacking self esteem, freedom and equality (Voipio 2000, 115). Chambers is worried about the vicious circle in which poor people tend to be trapped in. He calls it the deprivation trap. Further, De Beer and Swanepoel (2000) introduce case poverty as the poverty of a person or family, and community poverty as a situation whereby an entire community is poor.

Todaro (1997) analyses the poverty gap, which is the difference between people's real income and the set poverty line. He elaborates also on the Kuznets curve, which measures the relationship between a country's income per capita and its equality of income distribution. Typically, as per capita incomes increase, the distribution of income first worsens and later improves from very low levels.

Ringen (*ibid.* 141–165) defines poverty to mean being deprived and seriously deprived when someone has to live without what is necessary. Poverty can be said to be direct or indirect. It is indirect if defined through determinants of way of life and direct if through one's way of life. Another denominator of poverty that EU has defined is exclusion. Marshall used the term "complete life", without which one is poor.

Gordon (in Gordon & Townsend 2000, 49–67) discusses absolute poverty and overall poverty. Absolute poverty means not having the basic necessities of life to keep body and soul together. Overall poverty is not having those things that society thinks are basic necessities. It also means not being able to do the things that most people take for granted. Overall poverty will vary between different societies and at different points in time.

### **Relativity of poverty**

A distinction between absolute poverty and relative poverty is also important. Absolute poverty refers to a situation, in which minimum levels of nutrition, shelter and other basic necessities cannot be maintained. Thomas (1999, 20) states that "poverty is not absolute but depends on the value system of a particular society". Indeed, poverty is relative and can be experienced, perceived and defined very differently in low HDI countries and industrialized, high HDI countries as Gordon points out (Gordon in Townsend & Gordon 2002, 53–74). Gordon (*ibid.*, 60) illustrates this by referring to different poverty thresholds expressed in monetary terms in different parts of the world. Those thresholds are; \$1 in Africa, \$2 dollars in Latin America and \$4 in Former Soviet states. In many high HDI countries the poverty line is defined to be income less than 50% of the median per capita income.

An example of North- South polarization is the fact that while in the North the agenda is "green", in the South the agenda is "brown". The "Green Agenda" refers to environmental questions and sustainable development. The "Brown Agenda" consists of people's concern whether there is clean water, sanitation, shelter and other basic necessities available, especially in big cities. (Beall, Crankshaw & Parnell in Townsend & Gordon 2002, 252–266)

Beall (in Townsend & Gordon 2002, 325–344) also highlights the big differences in social policies in the North and in the South. Many affluent countries in the North can be described as welfare states. Countries in the South lack such social safety nets and have to depend on what Beall calls inter-generational-bargaining. This is another expression of extended family life support, whereby the able family members have to help the weaker ones.

To further emphasize how relative and different poverty is in the North and in the South, an example follows how poverty is measured in Finland compared to the question in the South, “Do people have basic necessities of life to keep body and soul together”? Kangas & Ritakallio (2005) coordinated a poverty survey measuring poverty using following indicators: Income less than 50% of medium income, Deprivation occurring if there is lack of 3 necessary commodities, Subjective experience of poverty, Over indebtedness, Getting social assistance. In the South, such measurements would focus on whether basic needs are satisfied.

In the North, the Welfare state is in crisis. After growing and expanding in the 1970s’ it did fairly well, but due to big demographic changes, reducing fertility in Europe and subsequent increase in the rate of elderly people of populations the welfare has proved to be expensive. As result, it is gradually transforming from “we-will-take-care-of- you” to “take-care-of-yourself” (Ringen, 2007, XXXVIII). Ringen (2007) considers welfare state as a “piecemeal” reform, through redistribution. He calls it “piecemeal” because welfare policies do not deal with regulation on big scale. At the extreme this would refer to political extremes from socialism to capitalism and issues alike. Goals of welfare state are equality and fairness. Equality at its weak interpretation implies minimum standard of welfare for all members of society. At its stronger interpretation it implies dealing with the structure of inequality. Ringen (ibid.) finds welfare to be legitimate through democracy and should be considered as a right and not charity. Further (ibid. 76), he points to some research results stating that welfare does not necessarily mean giving up self-interests. Rawls (Rawls in Doyal & Gough 1991, 126–142) thinking that has attracted worldwide attention, was based on freedom and acceptance of wealth generation by better-off people justifying it by the point that it also benefits poor people through redistribution. Thus, Rawls can be considered as one of the founding fathers of the Welfare State.

LHDICs have along way to go before they can participate in practical problems of welfare states because they are still poor based on most of the criteria’s in use. If they argue to have some welfare redistribution in place, their welfare has failed since poverty prevails. However, Ringen (2007,143) reminds that welfare was introduced in societies of mass poverty. For LHDICs there would be something to think in Ringen’s conclusions; Welfare started in mass poverty, it works, it does not contradict self interest and its activates people’s private life.

Based on the above it seems sensible to alleviate and reduce poverty as much as possible as part of the work on development strategy. Castells considers the present prevailing poverty as such a serious phenomenon that it

will lead to polarization. On the global level, the other polarized end, or extreme, Castells calls the fourth world. (Castells 2000b) According to the official policy statement formulated by The Ministry for Foreign Affairs of Finland, poverty has a negative impact on the well-being of the rich as well as the poor, and can endanger human security and world peace. ([global.finland.fi/köyhyys](http://global.finland.fi/köyhyys)). As an example, reference is made to numerous coups in Africa, whereby poor masses have removed rich predatory despots and tyrants who have exercised bad governance and robbed government coffers, causing a lot of misery and suffering in the process. (Meredith, 2005). Sachs believes that poverty can be eliminated altogether. (Sachs 2005, 365-367) Subsequently, in summary, measuring development and poverty is important in order to be able to more accurately target poverty reduction and development interventions.

### **3.2 Indicators and indexes for measuring development and poverty**

The component elements of the Human Development Index, longevity, educational attainment and GNP, in addition to being goals of and means for development, are also measures of the status of the same components. (See 3.3. for HDI) However, other alternative indicators have been explored as well for the sake of comparison and to complement each other and the selection of measuring tools. HDI also needs to be complemented due to its shortcomings. Some of its shortcomings have been corrected over the years. Najam and Sagar (1998) participated in a review process of HDI after it had been in test use for 8 years. That review process led to the use of logarithm adjustments in calculating the GDP amounts. Given the almost hundred-fold variation between country incomes, some form of compression was needed from the beginning to fit widely different economies on one single scale. During the test years, Income was discounted, which "penalized" high income and middle income countries unduly. Middle income was enough to score maximum GDP index values. Using logarithm scale gives better recognition for increasing income even above middle level.

Other indexes than HDI are also useful when struggling towards the goal of development and poverty reduction. The statistical bureaus of governments and international organizations do collect a huge volume of facts and figures worldwide, covering countries, regions, and the whole world. Within-country breakdowns at the provincial, regional and district levels are provided as well. Modern information technology has multiplied the information and data available many times over, and it seems justifiable to conclude that a lack of information is not a bottleneck holding back development. However, there are a few countries that are not able to produce generally-accepted statistical development-related information. Alternatively, they do not want to do it for

political reasons or they do produce the data but do not share it with global community.

Thus the problem we face is not statistical as such, but rather, how to use the data we have in planning, target setting and monitoring. The dimensions of statistics or indicators that have to be considered are: measurement, reliability and validity. Below, indicators are discussed that are the same that make up the HDI. But at this point, it is important to point out that there are only few indicators trying to reflect qualities like freedom and happiness. Qualities of this kind certainly contribute to human development, but they are here excluded due to the difficulty of measuring them in a reliable way.

The United Nations, (un.org) has developed the criteria for the identification of the Least Developed Countries, LDCs. These criteria are:

- A low income criterion based on a three year average estimate of the GDP product per capita. (\$ 900 and under, for inclusion in LDC group of countries.)
- Quality of life index, APQLI, based on indicators of nutrition, health and education.
- Economic vulnerability criterion, involving a composite index of instabilities in agriculture, exports, services, manufacturing and the existence of a displaced population.

The disability-adjusted life year, DALY, is an index measuring the burden of disease, by calculating years of healthy lives not lived. DALY was introduced by WHO as one contribution to the various ways of measuring development, focusing especially on the health dimension. (Porter & Sheppard 1998, 231) DALY covers the life expectancy dimension of the HDI index but is limited to that.

Another recent research project developed a composite index called the Commitment to Development Index, CDI, which encapsulates rich-country performance in implementing policies that contribute to development. (UNDP 2003, 161) The CDI considers factors such as participation and contributions to peace-keeping, removing trade barriers, foreign investment, migration, quality of aid and environment. In doing so the CDI addresses the millennium development goal number 8, global partnership.

Quality of institution index is an indicator frequently used to rank countries. Scores correlate with economic growth and per capita income and thus can also help governments in streamlining their governance and development efforts. (WB 2003, 103)

Low-income countries under stress, LICUS has been introduced as a new indicator. which may prove a useful tool in the attempt to characterize the essential similarities and differences between countries. (WB 2002c, 38) LICUS countries overlap closely with those of LDC countries.

Net savings is another measure of sustainable development WB (2003). The formula for calculating this is: Gross domestic savings - (consumption of fixed assets, energy depletion, mineral depletion, net forest depletion, carbon dioxide damage) + education expenditure = adjusted net savings. According to the formula, gross domestic saving is: GDP - total consumption. This indicator excludes the quality and length of life dimension. Further, expenditure on education does not measure the effectiveness and results of education and related expenditure.

In order to measure sustainability some green accounting subsets have been developed. Some of these are: Extended national accounts, biophysical accounts, equally weighted index, unequally weighted index, and eco-efficiency index. The first of these is called the "green accounts system". The second is a measure of the productive land and sea area required to produce food and fibre on a renewable basis. The Equally weighted index assesses the population of animal species, the supply of fresh water and the marine environment. The Unequally weighted index considers the environmental pressures of greenhouse gases and emissions. Eco-efficiency assesses material flows underpinning economic processes. (WB 2003, 16)

Among other institutions, the WB, OECD and various UN agencies produce annual statistics for a large number of indicators for all countries globally. They make comparison possible, and thus enable governments to take targeted actions whenever this seems to be necessary.

Indicators measuring corruption, education, rule of law, competitiveness, economic freedom, GNP, health expenditure and population growth are introduced and used in the section of country studies (6.3) to highlight differences in the selected four countries and majority of all world countries.

To conclude, it seems that the advancement of information technology and globalisation offer a huge potential for the further design and use of information, data and indicators as tools to enhance development. However, as useful as these indicators are, they do not say much at all about how developed or poor individual citizens feel and are.

### **3.3 Human development index**

The Human development index (HDI) considers following variables: longevity, measured by life expectancy at birth; educational attainment; and GDP, reflecting purchasing power. The highlighting of these factors as goals and means to development was discussed in chapter 3.2. Here the approach is more technical, explaining how the indexes have been constructed.

The HDI is an average of three indices; life expectancy, GDP, and educational attainment measured by gross school enrolment rates and adult literacy. These three indexes have been constructed by establishing fixed minimum and maximum values as follows:

Life expectancy at birth:	25 years and 85 years
Adult literacy rate (age 15 and above):	0 % and 100%
Combined gross enrolment rate:	0 % and 100%
Real GDP per capita index:	\$ 100 and \$40,000

Each component index is then calculated according to the following formula:

$$\text{Index} = \frac{\text{Actual value} - \text{minimum value}}{\text{Maximum value} - \text{minimum value}}$$

Since the introduction of the Human Development index, three supplementary indexes have also been constructed by the UNDP. These are: the Human poverty index, (HPI-1 and HPI-2); the gender-related index (GDI); and the gender empowerment measure (GEM). These additional HDI indexes represent some sort of fine-tuning, and actually highlight the big differences between affluent industrialized countries and poor developing countries. Indeed, they illustrate that the differences are so big that even indexes, such as the HDI, have to be adjusted in order to be informative.

HPI-1 calculates, on the dimension of longevity, the probability at birth of not surviving to age 40. Economic provisioning is expressed in the percentage of people not using improved water sources, and of children under five who are underweight. The third dimension is the adult literacy rate.

HPI-2 is based on the same three factors as HPI-1 plus an additional one, which is social exclusion. However, following the adoption of the HPI-2 measure for use in OECD countries, the longevity measure is based on the probability, at the time of birth that an individual will not survive to the age of 60. Literacy rate is measured as functional literacy, and the economic dimension as the number of people living below the income poverty line (disposable household income less than 50% of the median value) and the long-term unemployment rate (12 months or more).

The gender related index, GEM, measures the same dimensions as the HDI but captures values for both genders and thus captures inequalities. In turn, the GEM reveals whether women can take an active part in economic, political and social life by tracking the percentages of women in parliament, senior management and technical positions and among legislators. Further, it also captures disparity in earned income.

Below are the explanations of three sub- components of HDI, as shown in a UNDP Human Development Report (2003, 340–341).



### 3.3.1 Life expectancy

A life lived for 25 years scores zero on the HDI scale and 85 years scores the max. 1.

Goal post 85y.	90	1.00	73.4 y. = .807 index.
	80		
	70	.800	
	60	.600	
	50	.400	
	40	.200	
Goal post 25y.	30	zero	
	20		
	Life expectancy	Life Expectancy index	

In a country with an average life expectancy of 73, 4 years the formula would work as follows:

Life expectancy index =

Life expectancy index.  $\frac{73.4 - 25}{85 - 25} = 0.807$
---

### 3.3.2 Education

The education index measures a country's relative achievement with regard both to adult literacy and to combined primary, secondary and tertiary gross school enrolment. First, an index for adult literacy and one for combined gross enrolment are calculated. Then these two indices are combined to create the education index, with two-thirds weight given to adult literacy and one-third to combined gross enrolment.

As an example, a country with an adult literacy rate of 85, 3% and a combined enrolment ratio of 69%, the education index is 0.798.

100		1.00
90		
80 <b>85,3</b>		.800.
70		<b>.798</b>
60	<b>69</b>	.600
50		
40		.400
30		
20		.200
10		
0		0
Adult literacy rate %	Gross enrolment Ratio %	Education Index

$$\text{Adult literacy rate: } \frac{85.3 - 0}{100 - 0} = 0.853$$

$$\text{Gross enrolment Index: } \frac{69 - 0}{100 - 0} = 0.690$$

$$\begin{aligned} \text{Education index} &= \frac{2}{3} (\text{adult literacy rate}) + \frac{1}{3} (\text{gross enrolment index}) \\ &= \frac{2}{3} (0.853) + \frac{1}{3} (0.690) = 0.798 \end{aligned}$$

Even the HDI has its shortcomings, and accordingly the measurement results should be interpreted with caution. The indicator "literacy" can have many levels and dimensions. Firstly, passing through seven, nine or even twelve grades of schooling does not guarantee that what one is spelling out correctly, is really understood. This refers to functional illiteracy. If school enrolment and completion rate statistics were to be compiled according to this criterion, the figures would be much more unfavourable than they are at present with regard to LHDICs.

### 3.3.3 GDP

The GDP index is calculated using adjusted GDP per capita (PPP US\$). Purchase power parity adjustment takes into account inflation in different countries, and therefore can be considered as a valid measure of monetary wealth. Scale adjustment of income is applied, because achieving a respectable level of human development does not require unlimited income. Accordingly, the logarithm of income is used. In an example country with an average GDP of \$ 3,680 per capita, the GDP index would be: 0.602.

Goal \$40,000	\$40,000	1.00
	\$10,000	.800
		.600
	\$1,000	.400
		.200
Goal \$100		0
	GDP per capita	GDP index

$$\text{GDP index} = \frac{\log(3,680) - \log(100)}{\log(40,000) - \log(100)} = 0.602$$

### 3.3.4 Calculating the HDI

Based on the above paragraphs, the HDI would be calculated as the average of three dimension indexes.

$$\begin{aligned} \text{HDI} &= 1/3 (\text{life expectancy index}) + 1/3 (\text{education index}) + 1/3 (\text{GDP index}) \\ &= 1/3 (0.807) + 1/3 (0.798) + 1/3 (0.602) = \mathbf{0.735} \end{aligned}$$

Countries with an HDI value below 0.500 fall into the LHDIC category. The medium-country category consists of countries with values between 0.500–0.799. Values of 0.800 and above qualify countries for the high HDI category. Technically, HDI calculations have become routine in a majority of countries, and routinely are also made for in-country breakdowns into smaller units. However, technically speaking, calculations are good for post monitoring only. For planning purposes the components of HDI represent valuable goals: longer life, better education and more wealth. However, it is probably better to keep these goals as qualitative statements reflecting the human nature of life. Appendix 2 contains HDI values for 177 countries for further reference. In Chapter 5.7. they will be used to give more emphasis to the effort to establish possible correlation between HDI and some selected indicators.

In summary, the life-expectancy component of the HDI index is a goal only. GNP is an end and also to some extent a means; since it is measured in money terms and money is needed to implement activities. Education is a goal and even more importantly a means, as it can translate into capacity to facilitate, perform and coordinate. Thus education duplicates its role in the development process. This dual role of education could create a problematic loop. However, as part of HDI, education does not measure higher level educational requirements and achievements also needed for them to be effective tools for taking the world forward, i.e., good governance, for establishing property rights and for sound economic policies. Sen (1999), Streeten (1994, 1997) and Haq (1995) are the founding fathers of human development thinking. HDI can be considered as the leading composite development index (Greig, Hulme & Turner 2007, 37)

### **3.3.5 Low Human Development index countries**

The UNDP human development report, which is published annually, provides statistical data for most of the countries there are presently in the world. Thirty-six countries fell in the category of Low HDI index countries, according to 2002 figures which used the HDI index as a yardstick. According to the UN definition in 1994, whereby Gross National Product, GNP is used as a criterion, 64 countries fell into the low-income category in 2004, while 49 countries fell into the category of Least Developed Countries, LDCs. The LDCs group includes all the LHDICs plus another fourteen countries, which one or two of the non-financial indicators have kept in the middle-HDI group. Supporting statistics are based on the 2002 UNDP report, when there were 36 countries in the LHDIC group. In 2004 Bangladesh, Bhutan, Nepal and Sudan qualified for the middle HDI category. At the same time, The Democratic Republic of Congo, Lesotho, and Kenya were down-graded to the LHDIC category. In 2006 the number of low-category countries dropped to 31. Pakistan, Timor-Leste, Madagascar, Uganda and the Congo qualified for the medium category. The

picture for Africa became gloomier since only two countries outside Africa are in the low category. They are Haiti and Yemen.

In 2004, the 31 countries with HDI index below 0.500 were as follows: (UNDP 2006) Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Dem. Rep of Congo, Cote d'Ivoire, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kenya, Lesotho, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Tanzania, Togo, Yemen, Zambia, Zimbabwe.

## **4 DEVELOPMENT FACTORS ON STRATEGY LEVEL AND BASIC DEVELOPMENT PILLARS**

In this chapter, discussion will continue concerning those issues that appeared most frequently on the development agenda in the review of scientific literature (Chapter 2) of LHDICs as important obstacles to, or prerequisites for development. These are: Governance, Education, Property rights and Economy. They were already introduced (See chapter 1, Introduction) as the very important development prerequisites and as the core of the research question. They could be called the four “basic pillars” for development if they appear to be equally important also in the discussion in this chapter among contemporary development strategists, actors and implementers.

However, those pillars cannot lead the development process of any country without support of a set of long “durée” factors and a set of auxiliary factors. The long “durée” factors (Braudel 1980) are geography and climate. Auxiliary factors in this study are culture, religion, colonialism, security, health, aid for LHDICs, globalization, and communication. The concept “long durée” stands for the first cycle in Braudel’s analysis of development conjunctures. The auxiliary factors correspond closely with Braudel’s second cycle conjunctures, institutions, systems, attitudes, circumstances and basic values. These factors, the first and second conjunctures in Braudels analysis, form the basis and set the scenes, in which, according to him, the third cycle, nation-state- related events take place. In the context of this research paper those two cycles form the platform on which the four “basic pillars” have their impact on development. Obviously, all those cycles and factors are inseparably intertwined. My research method builds partly on Braudel’s thinking and is discussed further before the country studies.(See Chapter 5.3. Methodology)

In this chapter, reference is made, in addition to scientific research results, to publications by development institutions. Thus the discussion is on the strategy level, focusing on concrete interventions. Comparing the situation of countries and issues based on the review of scientific research results, and publications by development institutions concerning strategy level interventions is important for the purpose of developing strategy interventions.

As a result of globalization, the development scholars and international development agencies are more and more co-operating with each other and drawing conclusions and references from each other. Further, this discussion is important because chapters 2 and 3 are related to the levels 1 and 2 of development studies, i.e. what development is and how development can be achieved. This chapter focuses on the strategy level interventions.

To analyze LHDIC country profiles is to take a tour into poverty, disease, warfare, and mismanagement. Studying countries that have been successful in their development efforts is more rewarding and beneficial in the search for a workable development strategy. Combining the two into a comparative approach probably gives best results.

Majority (30) of the countries in the LHDICs group in 2002 were in Africa; four in Asia, (Bangladesh, Bhutan, Laos and Nepal); one in Central America (Haiti) and one in Middle-East. (Yemen). It must be added, however, that there are other countries that would, very probably, fall in the LHDIC category, but are not on the list due to a lack of reliable statistics available to the UNDP. Afghanistan, Iraq, Liberia, North Korea and Somalia, at least, are such countries. However, based on their own data sources, UN has included them in the LDC group of countries. It would seem to be an improvement, if different classifications were to be based on the same data source, especially considering that the UNDP is part of the UN system.

It might seem reasonable to suppose that certain common features found among LHDICs, but not found in the developed countries, may be partly, at least, responsible for the poverty of developing countries. Some of these features may be beyond the control of people or governments, but some of them may be such that action can be taken to remove these obstacles. Such common features include those entirely absent in LHDICs, but characteristic of the developed countries. The line between a factor being good or bad is at times very difficult to draw, and may appear to be like a line drawn on water.

## **4.1 Long Durée and some auxiliary factors for development**

### **4.1.1 Geography and Climate**

Geographical location can be a reason for poverty (WB 2000c,15). However, this does not refer to any particular location on the world map but rather to the quality of the land in any particular country. The concept of "fragile land" has been introduced. (WB 2003, XVI) This refers to arid lands, at present home to 500 million people; areas not suitable for agriculture, home to 400 million people; mountainous regions, home to 200 million people; fragile forest areas inhabited by 130 million people (ibid. 60). Further (ibid. 7) the document states that 97% of the additional 2-3 billion people in the next 2-5 decades will be born in developing countries, adding to the pressure to provide adequate

services. However, it should be added that “fragile lands” are found all over the world, though least of all in Europe. Accordingly, differences in the extent to which different parts of the world have been developed were due to accidents of geography and biogeography, different axes, plants and animal species. This view is based on the analysis of a long period of several centuries and is shared by many economists. (Diamond, 1997)

Issues like being landlocked or “sea locked” do not seem to explain poverty either. There are poor and rich island states; and landlocked countries that are underdeveloped, while others are advanced. In Europe, there are several examples of landlocked countries which are among the most affluent in the world; Switzerland and Austria, to mention just two. On the other hand, Japan, New Zealand and Australia are examples of affluent “sea locked” countries. It does not seem justified to use geographic location on different continents, or other geographical factors, as an excuse for underdevelopment. However, it is interesting to note the fact that all the LHDICs (Pakistan was an exception before qualifying into MHDICs) are tropical or sub-tropical (below the “Tropic of Cancer” level) even if this mainly refers to the question of climate.

Natural disasters occur all over the world in form of earthquakes, floods, volcanic eruptions, droughts and storms. While the LHDICs have their fair share or more of these it must be said that they probably do not constitute a reason for poverty. However, desertification seems to be an obstacle to development. There are more than 250 million people directly affected by desertification, and more than 1 billion people are at risk in some hundred countries (UNDP 2002, 29). Obviously, LHDICs are the most vulnerable group of countries. It is argued that deforestation is going on at speed of 0.7% per year (WB 2002e, 134) and can exceed even 3% in some countries. The Philippines is one example. The WB (2002d, 13) calculates that this deforestation translates to more than 900,000 sq. km’s in the last decade alone. More than half of this is in Africa. Deforestation tends to result in desertification, which can cause droughts which can lead to famines. This is partly explained by reduced rainfall in deforested areas. Droughts do occur more in areas where desertification has advanced but also in fairly fertile territories. However, Sen points out (1999, XX; 1981), that there have never been any famines in functioning democracies. This leads us to conclude that whenever famines strike LHDICs, the reason lies in bad governance of the drought situation when it occurs. Koponen’s (1988, 137–139) analysis of the reasons for famine in Tanzania, another LHDIC, indirectly supports this conclusion. According to him food shortages, leading possibly to famine, were caused by the fact that surplus of food was sold instead of being consumed, or stored for later consumption. This amounts to corruption.

Storms and volcanic eruptions are more common in countries in the higher categories (HDI) than in LHDICs. Early warning systems allow governments to prepare for them, and thus prevent eruptions and storms from resulting in too much devastation, or at least to minimize the damage as much as possible. The same seems to apply for floods as well. In particular, flood control strategies have been developed recently. Earthquakes are probably the

most unpredictable and devastating natural disaster when they occur, especially if they result in tsunamis as in December 2004 in Asia.

Climate may play a role in poverty and development. Porter and Sheppard (1998, 38) seem to support this view. They claim that climate creates differences in temperament in different climatic regions. Climate, understood as including temperature, humidity, and desert circumstances, creates a lot of hardship for the LHDICs. None of the LHDICs has a cold climate. However, some have some high mountain areas where people get some relief from the heat, but not enough to make a real difference for the whole population. On the other hand, in these cooler areas there are other types of hardship. The slowing down of levels of activity in extreme temperatures has been scientifically tested as part of various education-related development programs. According to Harner (1973) when classroom temperatures rise above 25 degrees centigrade, there is substantial decrease in students' comprehension levels and reading speed. Harner concluded that temperatures in the range of approximately 20°C to 23°C were most suitable for learning. Todaro (1997, 403) also refers to this factor, but says that more research on this question is needed. At the other extreme, in cold climates, technology has come to the rescue in the form of heating solutions in buildings. Maybe air-conditioning could likewise contribute to mitigating the harmful impact of extreme heat and humidity. This would represent a concrete intervention. The same conclusion has been reached by Diamond (1997, 22): "Climate might play a role in explaining developmental differences". Porter and Sheppard (1998, 32) support the view; that despite many attempts, no one has established the existence of mental or intellectual differences based on race or geographical origin.

Population density in LHDICs vary from tiny Bhutan and Djibouti, with populations of less than a million, to the huge Bangladesh and Nigeria with more than 120 million people each. The worldwide average is 96 persons/km<sup>2</sup>. There are very rich countries with much higher figures, like Hong Kong and Singapore with more than 6000 and 5000 persons/km<sup>2</sup> respectively; and there are rich countries where the density is as low as in some poor LHDICs (Australia, with 3 persons/km<sup>2</sup>). These examples suggest that population density does not seem to have much bearing on the issue of development. This is a significant conclusion, since the more factors that can be ruled out as reasons for poverty; the easier it is to identify the factors that are reasons. This conclusion runs counter to the view of Herbst (2000); who writes that big states, particularly in Africa, perform poorly. However, there is not much evidence of small states performing well.

#### **4.1.2 Religion and Culture**

Religion is not put forward here as a reason for poverty. There are both poor and well-off countries where all the major world religions are predominant. It seems that in countries where many religions prevail there is some tension between the various religious groups, the LHDICs being an example. The only LHDICs with only one significant religion are Bhutan and Laos which are



Buddhist; while all the other LHDICs entertain two or more of the major world religions and/or animistic beliefs. On the other hand, most of the affluent countries tend to have only one dominant religion. Europe and North America, and the Americas in general have Christianity; the Middle East has Islam; and Asia has Buddhism, Hinduism, or Taoism. Of the four countries analyzed, Thailand (Buddhism), Chile (Christianity) and Finland (Christianity) all support this observation, having one dominant religion each. The fourth country, Zambia, is predominantly Christian, with animism also prevailing to a considerable degree. Could this justify the suggestion that when two major religions are “competing” for dominance, it can disrupt secular endeavors for earthly well-being, like improved HDI values?

From a cultural and ethnic point of view the LHDICs are as diverse as almost any of the more affluent societies. If we consider here issues like number of tribes and languages, and where the cultural emphasis is, the following observations can be made. While languages are used to communicate and bring people together, they are also used as means of isolating different ethnic groups from each other. While languages enrich cultures and life in general, they can also sometimes cause friction, when national-level consensus is being looked for in the pursuit of development-related issues. The same applies to numerous different ethnic groups. Easterly (2002, 259) interestingly introduces the concept of “Multiple interest groups” whereby each group acts in a perfectly rational way as regards the interests of that particular group, but can lead to disaster when many other groups are doing the same thing. The “Tragedy of commons” (Hardin, 1968) is a phenomenon arising from the competing activities of many different groups as already discussed in chapter 2. Over-fishing of stocks in open sea areas not belonging to any country could serve as a good example (Porter & Sheppard, 1998, 142; Ostrom 1990).

In different parts of the world the “order of loyalty” that people follow is different. Often, the priorities are: first family; then tribe/ethnic group; and only then nationwide interests. It seems that this hierarchy of loyalties is prompted by people’s emotions and feelings with regard to their ethnic groups, at the expense of rationality. Further, cultures can be classified as either individualistic or collectivistic. In collectivist cultures it is natural to favor one’s own group and, if necessary, bribe the alien group; while in individualistic cultures tensions are more between persons than between groups. A hero in the West can be a loser in the East and vice versa. Africa, where most of the LHDICs are, seems to be more collectivist than individualistic.

Diamond (1997, 268–269) goes even further; listing the hierarchy as follows: self – family – band – tribe – state. In the West, the band and the tribe are missing or replaced by other loyalties. It seems to be the case that the longer the chain of loyalties, the slower and more complicated are social interactions, communication, and result-oriented efforts and work. According to Porter & Sheppard (1998, 48), Hyden (1983) has also addressed this question; introducing the concept of the “Economy of affection”. This concept, as discussed also chapter 2.3., refers to the fact that in Africa and in the LHDICS in general,

things are done, not based on western efficiency accounting, but rather on kinship.

The cultural dimension of life includes more than politics, economy, religion, and other regulated areas of life. There are also cultural activities such as cinema, music, theatre, opera, art, literature, and sport. In the West these have been developed to the level where they serve business and economic interests as well and have become big industries, serving not only to satisfy people's cultural needs, but also the needs of business. (Martinussen & Engberg-Pedersen 2003, 143) In the affluent world, the combination of culture and business activities has a huge impact on the economic situation and the quality of life in general, and could contribute to the development process more in LHDICS as well.

#### 4.1.3 Colonialism

Consideration of colonialism raises the question, why were some countries colonized by others, why was it not the other way round? Diamond (1997) researched this question at length but the answer remains somewhat unclear. His observations are, however, that such developmental differences came about due to differences in environments and not people. Europeans conquered other continents with the help of writing and communication skills, steel, arms and germs to which they, but not the colonised peoples, were immune. (Diamond 1997, 25, 214, 242)

The South American states had been colonized in the 16<sup>th</sup> century by Spain. In Africa, the LHDICs became nation states as a result of arbitrary state formation during the late 19<sup>th</sup> century, when the above-mentioned colonial masters divided conquered territories among themselves while neglecting ethnic boundaries and values (Castells 2000b, 106). Tribal chiefs, appointed by colonial authorities as their agents, became the symbol of ethnicity (Meredith 2005, 155). Ethnicity, at its extreme, developed into tribalism with its negative connotation. Further, colonialists legitimated their domination through encouraging sense of inferiority and helplessness in the face of "Western progress" (Doyal & Gough 1991, 14). Laakso agrees with this view; she asks why it is that states break down, since state formation is still an ongoing process. (Laakso 1999, 200).

When the colonial masters exported raw materials to their motherlands they also invested heavily in infrastructure in their colonies. The opposing view is that: "Development of the colonies did not feature as an important point on the agenda of the colonisers. Their main aim was the extraction of raw material for export to the mother countries" (De Beer & Svanepoel 2000, 23-24). Wolf (2004, 147) supports this view. Todaro, on the other hand, observes that the colonial masters, Britain, France, Spain, Belgium, Germany, Portugal and the Netherlands established political, economic, social and educational structures similar to those of their home countries. These investments have had a long-lasting impact, and have counterbalanced the extraction of raw materials. However, these colonial masters introduced other ideas formerly unknown to

most of the LHDICs. These included the institutions of private property, and personal taxation. The latter represented another way to exploit the colonies. (Todaro 1997, 33)

Practically all LHDICs have been independent for a very short period of time. Yemen and Haiti are exceptions, since Yemen has never been colonized and Haiti had already declared independence in 1805. The reasons for their LHDIC classification are obscure. However, the point here is that the short period of independence that most LHDICs have enjoyed, represents little more than one generation. This means that the generation leading the country and all the various activities in their respective societies is only now giving way to the upcoming new generation. One observation that has been made is that the older generations have never become fully independent in their thinking. Firstly, after managing to send off their colonial masters, they have not managed to shake off the mindset imposed by colonial rule. Thus they have tended, with some bitterness, to blame the old times for their continuing poverty and underdevelopment, and for the various mishaps that befall them, while neglecting to take the action necessary to promote their own economic development (Stiglitz 2002, 11, 24). I have made similar observations in several LHDICS during the period from 1975 onwards. There are signs that the new upcoming generation, which will very soon be dominating the scene, is much more unprejudiced in their thinking and somewhat more achievement-oriented in their endeavors. Secondly, it seems that the colonial times eroded the self-confidence and esteem of the older generations, signs of which phenomenon are not found in the present younger generation. It may be that this and the following generations in the LHDICs will have more drive for improving the quality of life in their respective countries. However, the pressure to perform through globalization seems to be another stressful factor for the present younger generations.

Porter and Sheppard (1998, 367) have made some interesting points which tend to support the above arguments. After independence, the former colonies could not cope because they were accustomed to think that only hierarchical governments can deliver, that technology obtained from former colonial masters is superior, that indigenous ways are inferior and that indigenous groups were artificially divided.

Most of the LHDICs with the exception of Yemen, Ethiopia and Liberia, were formerly colonies. This could justify the conclusion that there is correlation between having been colonized and presently belonging to the group of LHDICs. However, eventually with rapid speed of change and development the possibly negative impact of the colonization era will soon be nullified. The fact that many LHDIC countries were formerly colonized, and /or ruled by other countries provides evidence for this. The present superpower, the USA, is one example of this as a former colony.

#### 4.1.4 Peace keeping, wars, conflicts

Wars can reduce per capita income by 2% per year (WB 2000/2001, 50). Further, conflicts have a tendency to be prolonged and to re-emerge (ibid. 127). According to Collier and Hoeffler (See Lomborg 2004, 131) full economic recovery takes, on average, a decade after the end of war. LHDICs are prone to wars and internal conflicts, which must, therefore, be recognized as one reason for persistent low development levels and poverty.

In addition to a 2% per capita income reduction per year other losses occur during and after wars. These are loss of life, and the interruption of activities affecting life after the war, like education, entrepreneurship, and other social and developmental activities.

According to Kofi Annan, UN Secretary general in 2004, (Reported in Economist 4.12.2004, 23), the most serious threats of all are: rivalry and state conflicts; civil war; state collapse; genocide; nuclear, radiological, chemical and biological weapons; terrorism; and transnational organized crime. Further, these things, combined with poverty and other social threats constitute a formidable challenge to the world community which has to be addressed as a top priority. Annan proposes a re-organized UN, especially an enlarged Security Council, and a mandate to decide when to intervene by force if necessary by sending peacekeeping troops.

The opposites, peace and security, are both means to and the end of development. Security enables people to fully focus on their own endeavours without fears and worries. It is normal that legislation in most countries does not allow the violence of basic human rights. This legislation is usually enforced in the case of ordinary citizens. For consistency, such rules should also be applied to rulers creating genocide and civil unrest. International peace keeping, police, and military forces could intervene when law and order is lost, and stabilize the situation before thousands and millions of people have lost their lives. The risk of losing lives is so serious that it would justify keeping peace by force if necessary. It is encouraging that the UN Secretary General is pursuing such reforms.

#### 4.1.5 Health

Health is another important factor affecting people's well-being. Bad health is a manifestation of poverty and a prevailing under-developed state in any country (De Beer & Swanepoel 2000, 183-187). Public expenditure on health as a percentage of GNP in the LHDICs during 1990-98 was 1, 7%. In most of the industrialized countries the figure varies from 5 to even 8%. (WBd, 2002) Considering the bigger GNP base of the industrialized countries, the end result in health conditions is obvious.

Infant mortality rates expressed as deaths per 1000 live births are alarming reading. The average is 121 in LHDICs during the period 1980 to 1990. This rate exceeds many times over the same indicator in high HDICs. Babies surviving beyond the first five years have to face the risk of malnutrition, which leads to

physical stunting, mental weakness, and bad schooling results. Malnutrition in turn creates a vicious circle of underdevelopment, trapping people in poverty, and causing damage that is very difficult to repair in adulthood. About 1/3 of children in LHDICs are malnourished. (Todaro 1997, 44)

Problems continue for those who survive malnourished. As many as 73% of people in the LHDICs live without access to sanitation, which in turn make them much more vulnerable to disease, and traps them in a vicious circle once again. (Todaro 1997, 45) When these malnourished youngsters without access to sanitation need to see a doctor they have serious problems once again. Reasons for seeing a doctor are many; because there are more diseases in the tropics than in temperate moderate climate regions. In low income countries, in average, 2000 people have to share 1 doctor, whose medical skills and competence are often doubtful (WBd 2002, 102). In some LHDICs the ratio is much worse.

The most determined families send their children to school; challenging all the above-mentioned difficulties. During the schooling years there are many problems to be faced. All the above further reduces the productivity of those who make it, and embark on working life (Behrman, Alderman & Hoddinot 2004, 363-403). Those who reach adulthood and working life succumb to HIV/AIDS in alarming numbers in their most productive working years, further reducing the labour force needed to contribute to taking their countries forward. Castells (2000b, 118-121) describes how the HIV/AIDS epidemic is worsened by poverty, which in turn is aggravated by the epidemic. To break the vicious circle is a tremendous challenge.

Part of the reason for the bad health situation in LHDICs is high birth rates. Average births per woman in LHDICs was 6, 8 children in 1970s and is currently 5, 6 (estimate for the period 2000-2005). The corresponding number in industrialized countries is below 2. (WB 2004, 155)

To conclude; bad health is a serious obstacle to development. However, it is at least as much a result of the overall developmental situation than it is a reason to poverty. (Sachs 2005, 197, 204) Therefore improvements will best be achieved by first addressing the factors to be discussed in chapter 4.2.

#### **4.1.6 International Aid**

Donor countries give aid primarily to serve their own political, strategic and economic self-interests. Some development is motivated by moral and humanitarian desires to assist the less fortunate and for the sake of fairness. (Todaro 1997, 550; Rawls 1971) Developing countries, in our context the LHDICs, accept aid for economic reason primarily. Further they seek greater political leverage through aid, and at times they may even be motivated by the desire to reinforce the security of their governments. A third reason among recipients is also moral, a desire to help the donors help poor people in their countries. (Todaro 1997, 555)

Official development assistance is not a panacea for development. It does not alone lead to sustainability, especially if it lacks recipient ownership and creates false dependency. Even when it works, the volume is too low to make

the desired positive impact. On a per capita level the figures for LHDICs were USD 50/capita in 1990 and USD 33/capita in 1998. Countries with bad policies received \$ 44 and those with good policies \$39 in the year 1990. The situation improved by the end of the decade, in the sense that the countries with good policies received more. The amounts were \$28 for countries with good policies and \$16 for countries with bad policies. (WB 2002b, 2002c) Hancock (2007) is extremely critical about all development aid and technical assistance. He highlights numerous failures blaming them on the donors, without considering much the role of the recipients in these failures. However, even if his view is one-sided, his critique can at best lead to some rigorous self-evaluations by development donors, and eventually to some improvements.

Considering the biggest amount cited above, USD 50/capita, this means a 13, 6% increase to a poor person living on one dollar a day of  $(50 \cdot 100 / 365)$ . In other words, with the help of development assistance that person could be living on 1, 13 dollars a day. The additional 13 cents often comes in the form, not only of money, but of procurement items and technical assistance originating from donor countries. But the LHDICs most in need receive the least international assistance. The volume of aid is marginal indeed if considered in relation only to the interest on the close to 2 trillion USD debt owed by developing countries. Further, private fund flows, in different forms, are about four times more than the aid inflow; and still they are unable to reverse the trend towards poverty polarization. (WB 2002d, 197) In 2000, development aid totalled \$54 billion from the presently 21 countries with fairly large aid budgets. The same year, foreign investments were \$167 billion, which in turn was only a fraction of the overall total of investment of \$1,5 trillion (WB 2002c, VI).

The role of the World Bank and the IMF in development aid is hotly debated. Their influence is bigger than their financial contributions would suggest. That is perfectly acceptable if and when the advice and guidance are good. However, sometimes their high profile presence results in too high expectations and too little action by recipients, while in reality even their aid is only marginal. Stiglitz (2002, X11) criticizes the IMF very strongly as the least transparent institution. Easterly (2002, 44), in turn criticizes the methods that the World Bank uses to plan its assistance, namely the financing gap formula. The Asian Monetary Fund is on the drawing board following the Asian financial crisis in 1997, which was blamed on the IMF. This new institution will probably, through the competition it brings, improve the situation and increase the efficiency of worldwide aid and regulatory institutions. The International development agency, IDA, part of the World Bank family, is one the most effective donor agencies (Sachs.2004, 23).

Development aid has failed to stimulate much development (Easterly 2006; Sachs 2004, 90). Further, through fungibility, a country receiving aid directed to strategically important sectors may allocate its own funds to low-priority activities; making its situation worse. However, opinions on this issue are divided depending on whose interests are involved when someone takes a stand. Aid, is at its best when it is tied to past good performance, and not to any

promises; it can provide the right conditions for private economic activity and social improvements. (Easterly 2002, 118) One dollar of aid leads to two dollars of private investment, out of which 60 cents is foreign direct private investment. Further, the effectiveness of aid has tripled since the end of the cold war era, due to geopolitical interests being no longer involved in development aid (WB 2002c). The above-mentioned statement comes, however, with a second, somewhat contradictory statement: \$1 billion can lift 105,000 people from poverty permanently. This means about \$10,000 per capita. This would lead us to think that at the cost of \$ 30 trillion, the poverty of all 3 billion of the world's poor could be eliminated. This sum equals about 600 years of global aid budgets at current levels.

A breakdown of total aid worldwide is (WB 2002d, 356) as follows: grants account for 62%, loans for 6% and aid channelled through multilateral channels for 32%. Later a large portion of these loans become eligible for HIPC write-off. Further, multilateral and bilateral aid agencies could improve their mutual co-operation by reducing competition, which in any case should not be part to the aid forum.

NGOs have an increasingly big role in the development process (WB 2000/2001, X, 5). The number of NGO's has increased from 1,083 in 1914 to 37,000 in 2000 (UNDP 2002; Todaro 1997, 556). However, it is worth mentioning that NGO transfers based on their own fund raising from other than official sector development budgets, are considered as private fund flow in OECD statistics, and not as official development assistance.

In this connection, it is tempting to refer to the concept of "TRIAGE" as employed by Porter and Sheppard (1998, 134). The term refers to the fact that on a battlefield the wounded are divided into three groups: First, those who can be saved; secondly, those in critical condition, but with a change of survival; and third, those who are beyond any hope. This type of thinking is used in categorizing countries and in planning development assistance. Fortunately, LHDICS belong to the second group, with a good chance of improving. The idea of any country being beyond hope should be rejected. Following this line of thought, the G8 group of countries decided to write off a considerable amount of debt (about \$ 35 billion) owed by the 18 most indebted LHDICs and LDCs in June 2005.

An international fund has been proposed by Martinussen and Engberg-Pedersen (2003, 286) in order to raise aid funds to higher levels. This would be based on a tax collected on the basis of GNP, on the basis of payments for common international services, and on harmful behavior in and by donor countries. According to Gould (2005, 136) aid will increase only if the poor countries, i.e. LHDICs organize themselves into an irrepressible political force.

To conclude, financial aid and technical assistance can have positive impact on development. They contribute best when they marginally support the activities of the recipients; recipients who do not depend on external aid and who are in charge of their own development process. (De Beer & Swanepoel 2000, 245-268; WB, 2000/2001)

#### 4.1.7 Communication

The development process also depends on the existence of communication infrastructure, which is needed to enhance participation and the flow of information in general; which should ideally be “two way traffic”. Technical aids to facilitate communication are many: roads, newspapers, radios, TVs, computers, internet hosts, telephone lines, mobile phones and flights. The number of these tools in LHDICs is much lower than in the HHDICs. This applies especially to the explosive growth in the number of computers, internet hosts, and users in developed countries; while the growth is much slower in LHDICS. The term “digital divide” has been introduced to emphasize this point, which makes globalization and development advance unsynchronized in these two polarized “worlds”. Mobiles seem to be able to bridge the gap, and are becoming a very effective and popular means of communication. They can also reduce transaction costs considerably. Further, they are very convenient for people who cannot read and write. (The Economist 12.3.2005, 11)

It could be argued that development related communication is only partly a question of technology, and more importantly, it is a matter of getting people to meet and communicate in the same forum. All people are citizens of their respective countries and members of their particular society/societal circle. These circles do not necessarily correspond to social classes, as traditionally defined to include the upper, middle and low class, in a given society. Rather, they refer to groups of people representing the same professional interests, all of them experts in their own right in their respective fields, but with the tendency to isolate themselves from other circles. This leads to a situation, in which communication either does not take place at all or else it fails. The following circles, at least, may be identified in any given country or society:

Academia, people working in science and technology, and developing solutions to related problems and issues, such as development and poverty reduction.

Politicians required developing and implementing workable legislation and solutions in their respective countries.

International and non-governmental organizations.

Business people, private-sector entrepreneurs, who do most of the work, directly or indirectly.

Ordinary working citizens, who are fully occupied just making ends meet.

The rural and urban poor who are ignorant, unable to participate in the machinery of society and who perish or just manage to survive.

People in these circles communicate with each other using their own “language” or jargon, and are rarely in touch with people in the other circles.



The phenomenon, “tragedy of commons” applies as already introduced. Easterly (2002, 259) Each group in a society acts in their best group interest, which, however, may be in conflict with the interests of other groups, and thus may create tension and problems in spite of the fact that each set of group interests may be perfectly acceptable, constructive and genuine. A lack of perception of and communication about the problems that have already arisen can lead to setbacks in the development process (Diamond 2005, 424).

As a result there is hardly any communication between the circles; or communication fails and the situation does not generate social capital. The communication circles bound together, and mutually co-operating, translate into social capital, which manifests itself as trust, reciprocity and the existence of functioning networks (Voipio 2000). Further, social capital is more than the sum of society’s institutions: it is “the glue that binds them together” (ibid. 79) Porter and Sheppard (1998, 566–567) write as follows: “No single system can realize the human project. We should respect varieties and strengths and be conscious of ourselves while we simultaneously are drawn together by communication.”

#### **4.1.8 Globalization as a dimension of development**

Globalization is an attention-commanding phenomenon. This chapter defines globalization and discusses the pros and cons of globalization with regard to development.

Before attempting to define globalization, it will be useful to change perspective for a while, and review major milestones which have led to a series of developmental steps, culminating in the present state of globalization. According to Diamond (1997), these steps taken over last 13,000 years were:

- Hunting and gathering
- Storing food and settled agriculture
- Domestication of plants and animals
- Germs and their use as weapons  
(Unintentionally and at times deliberately) in warfare.
- Writing
- Technology – innovation leading to need and demand and at times vice-versa.
- Loyalty chain: individual – family – band – tribe – chiefdom – state.

This order of events can assist us by providing an overall perspective. Such a perspective may also help us to avoid mistakes in the pursuit of development by considering the reasons for underdevelopment throughout history. Diamond (2005) calls underdevelopment “Collapse”, and has found five major reasons for major collapses over the centuries. These are: unfavourable climate changes; felling of trees, causing severe deforestation; decreasing or lacking trade with surrounding societies, leading to isolation; inappropriate

institutional/governance arrangements in relation to changing circumstances; and external threats from outside aggressors. All of these issues are nowadays heavily debated in the global arena. Urry (2003) has contributed to the dialogue; stating how globalization is advancing irreversibly through order and chaos.

Globalisation is one dimension of development. But what is globalisation? Castells (2002b, 101) defines globalisation interestingly as the ability of people in widely separated parts of the world to interact in “real time”. By “real time” Castells means a common time frame, which is identical to “on-line” stage in computer technology jargon. Electronics, namely telephones, email and the internet make this possible. Air travel allows people to be anywhere on the globe in a matter of less than one full day, or 24 hours. It is sensible to allow for a 24-hour difference in definition for the “real time” since at midday in one place, it is midnight on the opposite side of the globe; and most people “switch off” at night-time and take a break from the increasingly hectic global life.

Globalisation is the same as integration. Integration includes governance, economic activity, and societal interaction. The ongoing wave of globalization can be considered as the third wave (WB 2002e, X, 4). The first took place during 1870–1914, with the emphasis on migration. The second wave, 1950–1980, had some positive impact on development and poverty reduction. The present wave consists of three different global flows, namely flows of trade, capital and people. The flow of people is, fortunately rather more humane than the slave trade; when 14.6 million people were moved by force. (Porter & Sheppard, 1998, 307)

Krueger (See Wolf 2004, 14) has defined globalization as follows: It is a phenomenon which has meant that economic agents in any given part of the world are much more strongly affected by events elsewhere in the world than was ever the case before.

Henderson (See Wolf 2004, 14) on the other hand suggests the following definition: Globalisation means the free movement of goods, services, labour and capital, thereby creating a single market in inputs and outputs and full national status for foreign investors; so that economically speaking there are no foreigners. Kettunen (2005, 9) defines the term along the same lines; stating that: through globalization, the boundaries of international trade and entrepreneurship disappear, and opportunities are opened up.

Nation states seem to be too big to handle small things and too small to handle global issues. To contribute to the dilemma, regional initiatives play an important role, since they represent combinations of the resources of many nation states, achieved without sacrificing much in the way of cultural values and interests. Regional initiatives are part of present state of globalization, and of the process of globalization. These include development institutions, efforts to combat infectious diseases, mitigation of acid rain, prevention of armed conflict and terrorism. Further, global standardisation and certification, national reporting and audit of public programmes plus other “soft laws” are rapidly increasing; and thus represent very big steps forward in the process. (Wolf 2004; Stiglitz 2002; Todaro 1997, 485–486, 535, 660–662) Even the idea of a global

authority for global governance keeps on coming up in UN-related forums, dialogues, and global discourses.

The market economy, democratic states, international organizations, treaties and laws, Competition, regulation and liberalism – all those seem to be the phenomena by which the globalization process is accelerating. However, the focus is not only on governance, politics and economics. People have other interests, whereby they try to achieve happiness and fulfilment in other areas of life. These are: arts, science, sports, music etc., and all the socialization that goes with these things. On this cultural front, globalization seems to advance even faster probably because there is less conflict of interest involved. Defending tradition should not be confused with freedom of choice; and having respect for difference, diversity and new waves of culture and new customs is essential (UNDP 2004, 88). People should have the chance to belong to the local community and also to global humanity at large.

### **Pros and Cons for and against globalization**

Globalization, which enhances development, can also be a hindrance for countries when the process of integration draws in neighboring countries which find themselves left behind in a marginal area. This fate of being left out can happen when countries exercise poor policies, keep on missing opportunities, or happen to be geographically badly placed. (WB 2002e, 7) Further, criminal activities are also part of globalization and can be a very serious hindrance to development (Castells 2002b, 2). Unfortunately, the above-mentioned circumstances are characteristic of most LHDICs.

There are those who oppose globalization; in particular, nationalists; but also certain intellectuals. They argue that the process tends to marginalize countries that cannot cope with all the challenges involved in globalization. But it seems unlikely that less globalization would improve the position of such countries. Probably just the opposite, more globalization, could help. Members of the anti-globalization group have in common only what they are against. (Wolf 2004, 7)

Globalisation is a powerful tool for poverty reduction (WB 2002e, 18-21). To further strengthen the positive effects of globalization on development, actions are recommended that, thanks to advancing technology, could take place fast, especially in the fields of communication and transport. Wolf (2004, 119) gives an example. The first transatlantic cable was laid in 1866. Until that year, it took ten days for information to travel across the Atlantic. Now it takes milliseconds. The following agenda is proposed by the World Bank to further improve the impact of globalization: Another round of trade talks to improve access to the global market place, improvement of the investment climate, the promotion of education worldwide, improved social protection, better foreign aid, debt relief, and sound environmental management. (WB, 2002e) In a study about the impact of globalization on four developing countries, Koponen (2003,214) reached a conclusion that it is advisable to try to learn from others. This implies modernization.

Migration can also have a positive impact on poverty reduction. It leads to migrants remitting money back home, reducing unemployment rates at home and contributing to the economy at the receiving end; and so it can have a considerable positive impact on the distribution of wealth. The value of such remittances, sent back home by migratory workers has since 1997 been greater than the value of development aid received by developing countries (Martin 2004, 466). According to the World Development Indicators (WB, 2002d, 372), the percentages of foreign labour force in OECD countries vary from 1% to as much as 57% (in Luxemburg). Other examples are Australia (24%) and Switzerland (18%). Further, migration, which admittedly leads to a harmful brain drain, can also be turned to what Castells (1997, 128) calls "brain circulation". According to Meredith (2005, 368), between 1986 and 1990 alone, some 50,000 to 60,000 middle-and high-level state managers left Africa.

Fortunately, migration takes place these days in a civilized fashion compared with the era of the slave trade of half a millennium ago. However, another migration-related problem is that of refugees. In year 2000 there were more than ten major conflicts underway in Africa. Some 12 million people were classified as refugees – 40 percent of the world's total. (Meredith, 2005, 679) In the same year, 2000, LHDICs housed an average of 176,000 refugees. (WB 2002d) In most cases refugees cannot contribute much to the economy, due to their difficult status, and therefore they turn out to be a burden for the receiving country. Further, refugee movements are typically chaotic and uncontrolled; causing severe hardships.

The cold war divided the world into two blocks, the capitalist and the communist blocks respectively. This kept globalization at bay; but now that the cold war has passed into history, the process is advancing with one obstacle less. International terrorism, crime, and infectious diseases seem to result in an unprecedented level of co-operation between governments worldwide in the struggle against these invisible enemies.

With globalisation expanding, the number of global institutions are on the increase as well. Further, global standardisation and certification, plus other "soft laws" are also rapidly increasing. Some new global features are also national, such as audit of public programmes, cities, local governments and even private firms. (WB 2002a) All this can add to transparency and thus enhance development.

Trade and investment-related international treaties have risen in number. While the majority of these are still bilateral, there is a strong move towards global multilateral treaties. The number is already counted in thousands of treaties. On the economic side, Amin (1999) has contributed to the globalization process. His suggestion for the creation of one single universal currency seems good. All currency transactions represent a "zero-sum game"; meaning that when somebody wins in currency exchange transactions, unavoidably somebody else has to lose the same amount. The Euro is only one step towards a single currency, and currency speculation is still on-going worldwide.

Focusing on the economic features of globalization further, the 1970s marked the beginning of theories of internationalisation and transnational corporations, TNCs. (see Chapter 3.3) Internationalisation began to develop features that are part of the presently ongoing globalisation process. Saturation of western markets, and increasing competition caused firms to move to developing countries where they could produce old goods more cheaply, as well as new, more highly developed goods also with new technology. This was made possible by the use of cheap labour and by utilizing an existing advanced worldwide communication and transport system. However, during this ongoing globalisation process the unit of analysis seems to be changing from the nation to the firm, TNCs representing the firm as an actor. Further, tightening environmental regulation, improved legal framework structures, and improved business infrastructure advanced globalization fast on two fronts, directly on the global level and simultaneously through regional arrangements

The power of TNCs is large and various new problems have emerged. As big part as 70% of all international trade, and as much as 2/5 of the imports of some western countries from all over the world, are based on transfer- pricing within TNCs, whereby the market price does not have to apply. (Todaro 1997, 535) Profit transfers also bring in another dimension of worldwide capital flows. Obviously, TNCs have a long list of advantages and disadvantages, and represent a huge challenge for regulatory work on national and global levels for the WTO. (UNCTAD 2000; WB 2002a)

Norberg, Ojanen and Sihvola have contributed to the dialogue on globalization, both for and against. Norberg (2004, 9, see Kettunen 2005, 9-22) emphasises freedom of thought as a result of globalization. He also believes that globalization will benefit the poor. Sihvola (2004, 224-226, see Kettunen 2005, 9-22) mentions freedom of movement, and strongly urges that nation states have lost some of their powers and leverage to regional trans-national institutions, like the EU. Ojanen (2004, see Kettunen 2005, 9-22) on the other hand, is more critical and is worried about demand and supply not meeting, except at random, due to the ever-expanding market place. He also expresses concern about the growing pressures that people have to meet when adjusting to the globalization process.

International terrorism and crime rates seem to result in an unprecedented level of co-operation in the struggle against an invisible enemy. According to Wolf, "Competing world-wide phenomena to globalization have failed, socialism does not work, and communism and fascism are crimes. Militarism and nationalism have destroyed European civilizations and imperialism has been like a blind ally. Globalization is our golden opportunity". (Wolf 2004, XVIII)

To some extent, language is a factor limiting people to join the global community. While different languages represent cultural richness, they can at times also isolate people and be a barrier to communication and socialization. With electronics and the internet continually advancing, a new language seems to be emerging; and eventually a common global language may be born, with

the world “foreigner” missing in the vocabulary or replaced by “global neighbour”.

To conclude, globalisation is taking place fast due to advancing technology. Active support for globalization will help to steer the process in the direction that LHDICs prefer.

In summary, the “long duree” and auxiliary factors form an important platform for the four basic development pillars to stand on firmly, in order to be able to enhance people’s well-being and the human development index.

## **4.2 Basic development pillars**

### **4.2.1 Governance**

Governance has probably the biggest impact on people’s lives because it affects all the other elements of development through legislation and regulations. Governance is difficult because for governance to be good it must be present in the right amount. My own observations of working with development-related issues and governance in LHDICs is that governments often block people and development processes through bad governance, no governance or too much governance. Therefore it is encouraging to see that many authorities consider bad governance as one of the most serious bottlenecks hindering development. (North 1981, 1990; Easterly 2002; Stiglitz 2002; De Beer & Swanepoel 2000; Senghaas 1985; Sachs 2005) Governments consist of people holding established posts. Consequently the question of bad governance boils down to people. Mursu (et al. 200, 181–182) supports this referring to Nigeria, one of the biggest LHDICs. Justification for governance should be based on its role in serving people’s life activities, including their development goals.

#### **About bad governance**

North (1981, 20) defines the role of the state in governance as follows: States have comparative advantage in violence within a certain geographical area and within this area, the State grants property rights in exchange for revenue. Rival rules represent opportunity costs. As a result of bad governance, public spending, and legislation (especially that related to education and property rights), do not encourage development. It seems that growing number of governments are openly practicing poor governance. (UNDP 2001a, 2002) With regard to the role of governments in the development process, Easterly goes even further; claiming that “governments kill growth” (Easterly 2002, 217). He elaborates his argument by listing inflation, black market exchange rates, budget deficits, the killing of financial institutions, bureaucracy and bad or no public services as the main means by which governments hinder development. Stiglitz, too, agrees with this: stating that governments do things that they should not be doing (Stiglitz 2002, 54). According to Senghaas, the reasons

for underdevelopment have nothing to do with traditional backwardness or the inadequate development of productive forces but rather, result from the misguided development of production forces by governments. Confirmation for the view that states functions as bottlenecks comes from Thomas' claim that "The state can be a structural obstacle to development". (See Meier & Stiglitz 2001, 149-182; 1989, 215) It is claimed that countries with bad governance can merely generate growth in the range of 0, 5 %, while countries with good governance can achieve up to 3%. (WB 2003, 103). The rule of law index and quality of institution index also measure governance. These indices do leave a lot to be desired in LHDICs, and make people "take" instead of "make" in LHDICs. (WB 2003, 37).

De Beer & Swanepoel's claim (2000, 86) that "states fail because they overplay their role and become bottlenecks" offers further support for the argument. "Technically, we could provide for all". The problem is political and social" (Basu in Meier & Stiglitz 2001, 62; WB 2001/2001, V-VII).

The IMF lists six areas as obstacles to growth when they are not in order. These are: Investment; saving; human capital and productivity; macroeconomic stability; the role of government, (affecting matters such as property rights, corruption, wars, the judiciary and legislation, inward-oriented policies); debt and debt relief. (IMF 2000, 125). All the above- mentioned areas are regulated by governments; and therefore the IMF's criticism is directed towards governments. There is also a strong negative correlation between corruption and merit-based recruitment, and between bureaucratic delays and merit-based recruitment. (ibid. 112). These characteristics - corruption, bureaucracy and nepotism - are rampant in LHDICs. Corruption can be described as cancer. (WB 2002c, 25).

Diamond (1997, 277) talks about kleptocrats and Castells (2000b, 95-105) about predatory states. They refer to the same phenomenon, whereby rulers are thieves, robbing the people and coffers of their own countries. Their sole purpose in gaining power and ruling is to maximize their own private wealth at the expense of that of their nations. The strategy usually adopted by kleptocrats is to disarm the populace, make the masses tolerably happy, maintain public order by force and appeal to religion. These steps very much remind us of what is going on in LHDICs, namely bad governance. Zaire's former leader, Mobutu Sese Seko, is a frequently-quoted example. When predatory states engage in development work, there are often hidden agendas involved. One is to increase the total amount to be stolen. (Easterly 2002) Another is to reduce the pressure for rival groups to revolt and try to stage power trough coups. Obviously, there are other reasons for coups such as ambition for power.

Since the end of the cold war era, in 1991 when the Soviet Union collapsed, the number of coups seems to have declined; at least of those coups which grew out of the struggle between the polarized ideologies of communism and capitalism. During the cold war the two different camps, the socialists and the capitalists arranged and supported coups in turns; but at the present time signs of democracy are emerging. Elections are typically held, even if they are

often rigged; and power is changing hands in a slightly more civilized manner than by force.

North (1981, 11) rejects Marxism outright; claiming that it ignores the free-rider problem, and the fact that people are not ready to set aside their individual self-interest. Another criticism of Marxism has come from Sombart who (Sombart in Grunow et al. 1997, 289), considered socialism to be a product of envy, and thus to be incapable of taking the world forward. However, new reasons for revolts and tension seem to be on the increase, often originating from the polarization between Islamic and either Christian or secular forces in various countries.

Conservatism can add to poor governance. Poor societies are the most conservative. These societies do not have any savings or risk margin. Further, they do no more than pay lip service to the idea of modernization and they get stuck in a vicious circle. Ultimately, their poverty leads to closed economies and a more tightly-drawn circle (Galbraith 1979, 136). That is yet another example of bad governance, and one often found among LHDICs.

### **Good governance**

“Good governance is perhaps the single most important factor in eradicating poverty and promoting development” (Annan 2002, 51). Keynes, followed by Harrod and Domar, was also of the opinion that the State is ultimately responsible for economic growth and a good social balance. The state can carry out that responsibility through good governance. For example, highly-developed Japan emphasizes the role of the State in all developmental efforts. (Castells 2002a, 67; Hall & Midgley 2004, XI) The same applies to Finland and Chile; and to an extent, to Thailand. (See country studies in chapter 6)

Administrative subdivision in LHDICs follows the common worldwide pattern, with provinces and districts in varying numbers. What matters more than the pattern of subdivision, is what the people in official positions in government are doing or are not doing. One general observation could be, however, that in LHDICs, power is more centralized than in more advanced countries; where more decision-making authority has been delegated to provinces, districts, municipalities or other units of governance. Decentralization has been studied to the extent that this school of thought, having emerged, is now recognized and has been named accordingly. (Cheema & Rondinelli 1983)

It has been suggested that participation and freedom may well be major prerequisites for good governance and development. (North 1990, 20; De Beer & Swanepoel 2000, 86). Therefore grassroot-level community participation and involvement in governance are the key, and people and the community should play the leading role in the development process.

Good governance is more often practiced in democracies. According to recent studies countries with per capita incomes above \$20,000 have the world’s most democratic governments (UNDP 2002, 55–57). Among high HDICs, 42 of 48 countries are democracies. Democracies are better in handling conflicts, even



if this results in power changing hands more often. Change in power typically happens peacefully in democracies. Sen is quoted as saying (UNDP 2002, 69) that the old question of whether countries are fit for democracy has now been turned upside down to read: "Countries have become fit through democracy". Recommendations are frequently made for improvements in governance; insisting that professionalized political party management, decentralization, bottom-up participation and a watchdog press can further enhance good governance. Further, democracies, unlike dictatorships, offer non-violent ways of resolving conflicts. (UNDP 2002, 86)

Even if good governance seems to be practised more in democracies, it is also possible to have good governance in other political systems. If democracy is overdone, that can slow down legislation and governance. However, kingdoms and empires are mostly ceremonial in exercising their royal and imperial traditions, and the actual governance is carried on by the legislative, judiciary and executive bodies. Thailand, one of the case studies in this paper, is one example of harmonious co-existence between royalty and legislative, judiciary and executive bodies. (See chapter 6) Contemporary kingdoms and empires are, for the most part, also democracies.

The IMF and the World Bank have also contributed to the dialogue, and have devoted a chapter to discussing "how can the poorest countries catch up" (IMF 2000; WB 2000/2001).

"Nevertheless, experience in the successful developing countries clearly points to macroeconomic stability, sound institutional governance arrangements, and openness to trade as factors associated with sustainable growth" (IMF 2000, 115). The IMF also emphasises that successful factors can differ from one country to the other. There is no universal panacea for poverty alleviation or reduction but each country must find its own tailor-made strategy. (IMF 2000, 146). IMF's trademark formula has been *Laissez-Faire*, which approach has also been advocated by many scholars as good governance (Gronow 1997, 44).

Stiglitz and Usuf define the role of governments as including the following only: facilitation, the creation of rules, and monitoring and reinforcement of those rules (Meier & Stiglitz, 2001, 227-233). Samuelson (2001, 502-503) supports this; adding that developing countries could learn by observing other countries, and steering a middle course as regards government interventions.

Munshi and Abraham (2004, 48) argue that evaluation is part of good governance and that for it to be good, cultural and societal differences have to be considered, and the size of the public sector has to be adjusted from time to time. This implies that harmony and consensus may override the concern for efficiency (ibid. 2004, 19). Subsequently, they define good governance as follows: "Good governance signifies a participatory manner of governing that functions in a responsible and transparent way based on the principles of efficiency, legitimacy and consensus for the purpose of promoting the rights of individual citizens and the public interest thus indicating the exercise of political will for ensuring the material welfare of society and sustainable development with social justice" (Munshi & Abraham 2004, 51). This definition

of good governance corresponds well with the goal of enhancing development as stated in the HDI Index. Ensuring welfare and social justice as the definition includes, signifies also that sound social policy is established and followed as Mkandanwire writes (2004). The above-mentioned definition also means that good governance cannot be achieved only by degrees, but that the people exercising governance need to understand the essence of collective life and must also be prepared to compromise and be willing to strike bargains. (Lindauer & Roemer 1994, 75).

“Third way” governance is one the most recent governance models designed. This school of thought emerged in the 1990s in the UK and the USA and was greatly influenced by and based on Giddens’ writing (Giddens 1998; Martel 2004, 92-107). This promotes policies that are “beyond old left and new right”. It focuses on wealth creation and opportunities, not necessarily on equity. It is based on the idea that governance does not have to be dictated by ideological predispositions for left or right, but rather should be determined by what works best. This in turn is possible through partnership between State and Market.

Doyal & Gough (1991) write along the same lines using the term “Dualism”. Their theory of dual strategy is based on the idea of the State having responsibility of central planning and setting the rules and facilitating people’s efforts in satisfying their needs through democracy, using health and autonomy as their means.

Visiting corporate governance solutions can at times contribute to improved governance on the national level. An idea put forward by the former Chairman of the SAS Airline (Carlzon 1987) serves as an example. He suggested the revolutionary idea of turning the concept of the governance pyramid upside down. Usually the hierarchies of any institution have the shape of a pyramid, with the line of command extending down from the top. If the purpose of governance is to support citizens’ lives to the optimum, Carson’s vision would require that there should be “virtual pyramid” upside down beside the real organization chart, to remind rulers that they should look on the people (their quality of life) as being at the top of the pyramid. Thus civil servants would have two roles, one as civil servant and one as a citizen enjoying the benefits of good governance.

If one of the key functions of governance is facilitation, this, in turn, has to be facilitated too. In order to do this, insisting on minimum educational qualifications for members of parliaments and other incumbents of key posts in various governance institutions could contribute to this end. There are examples in the world of this. (See the case study on Thailand, chapter 6) The Prime Minister of Thailand must have at least a bachelor’s degree. Such a requirement would be based on the realization that governance is so demanding a task that it requires certain minimum educational know-how.

Further, accountability is like glue between different parts of the governance hierarchy, keeping the structure solid and in place. However, it seems that accountability has suffered some degree of inflation with regard to its impact on efficiency and the effectiveness of governance work. In

development discourse, “accountability” (WB 2004, 47) frequently appears in passive form and giving it a name and a face could improve the situation.

#### 4.2.2 Education

Education is divided universally into elementary, secondary, tertiary or higher education levels, and vocational training. Since elementary education is a prerequisite for the higher levels, this chapter focuses on elementary level and more precisely, on the basic skills of literacy and numeracy. After attaining these basics, people can attain the higher levels of general education, including the professional and vocational skills required for development work, work in general, and cultural and other activities. The gap in education levels between LHDICs and HHDICs is large and therefore this is to try to justify and highlight the importance of basic education.

In most LHDICs, the majority of the populations are not educated, and therefore cannot participate and become involved enough in ordinary work, development and societal activities, whether through entrepreneurship or otherwise. The poor are the problem, but they could also be the solution. The more education the poor have, the better they are as solutions (De Soto 2000, 153–205). Often the populations of LHDICs are looked on as objects by governments, by academic researchers, the intellectual elite, and business entrepreneurs. Research goes on; theories are developed whereby the poor are considered as passive objects, subject to experimentation derived from complex and sophisticated theories. This vicious circle probably goes on until the poor become agents instead of being merely the objects of theories and policies. (Sen 1999, 191; Jallinoja, 1993; Voipio 2003)

The gap between formal and informal sectors should be narrowed, and people should be allowed and encouraged to live their lives freely, engage in whatever activity they choose and thus control their destinies and achieve freedom. This state of affairs can be reached only if people are educated. Missing or bad education prevents people from making their choice of employment, becoming self-employed, or continuing with further studies; ending up as “free riders”. A common definition of a “free rider” is a person who depends on others for his livelihood, or secures benefits that someone else provides or pays for. (Todaro 1997, 694) Whatever people’s choices might be, with education they would be able to contribute to the other important factors relevant to development and they would be freed from the illiteracy which dooms them to the “prison” of poverty and ignorance. Further, ignorance, i.e. lack of education, gives space to fear, which in turn is an obstacle to development (Uurtimo 1994, 76). Galbraith (1972) similarly considers education as the number one remedy for poverty.

Education-related figures in LHDICs are even worse if they are based on functional illiteracy. Functional illiteracy is defined as people at the age of 15 and above not being able to understand what they read/“spell” out, and being unable to express their ideas in writing. In LHDICs, illiteracy rates, among the population above 15 years, are 60% or greater. These estimates indicate how

serious the education gap is, and this further supports my thinking that bad or missing education is a reason to poverty. (Unesco 1980, 1) In order to demonstrate the seriousness of functional illiteracy in LHDICs, reference is made to Castells (2000b, 166); who writes that in the USA, 21–23 percent of the population have blatantly insufficient levels of reading, writing and elementary arithmetic skills. Further, “In most OECD countries an incredible 10–20% of people are functionally illiterate” (UNDP 2002, 22). One can only wonder how high the figure is in developing countries.

Further, Basu and Foster (1998) introduce the concepts “isolated illiteracy” and “proximate illiteracy”. An illiterate person living in a household consisting entirely of illiterates is called an “isolated illiterate”; while “proximate illiterate”, has, at least, one literate person living in the same household. People living in isolated illiteracy are even more deeply grounded in ignorance and excluded from society. Understanding of the various alternatives available in life requires independent thinking, and that can only be achieved through good-quality education (Uurtimo 1994, 135). The term “social literacy” has also been used (Raassina 1990). This refers to empathy; in other words, the ability to see oneself in the position of others. This in turn is a prerequisite for flexibility, adaptability, initiative, and interest in other people and phenomena. It enhances one’s ability to move from the concrete to the abstract, to be rational, mobile, innovative and reciprocal. Greig, Hulme and Turner (2007, 172) expand this dimension of social literacy to include, in addition to empathy, sympathy. This is based on the assumption that the opposite, neglect, involves treating others as subhuman. Numerous researchers and numerous institutions have emphasized the importance of literacy and numeracy. ILO (1976, 57) has included it among people’s basic needs.

There is very little opposition to basic education but, however, there has been and still is some. This comes from certain dictators and tyrants. However, even if we accept that the various power elites will always try to maximize their well-being at the cost of the masses, it is not logical to keep the masses uneducated, a rejected marginalized group. If they were educated and trained they could contribute much more to the “basket” of wealth that the power elites try to maximize for their own good (Easterly 2002, XX). But not all tyrants take this view. Some sometimes keep the masses uneducated for fear of being challenged. In Cambodia, Pol Pot’s regime killed about two million people because they had, at least, some education (Chandler 1996, 205–276). Twenty years after Pol Pot’s fall, traumatic scars are still visible even in the new generation. However, some hard work during the 1980s and 90s has qualified Cambodia for the membership of the group of MHDICs.

Considering the lack of much opposition to education, it is difficult to understand why so much illiteracy still persists. At least it is a sign of how difficult learning is, and how difficult it is to provide and arrange for education to be delivered. The problem mainly relates to LHDICs. Among MHDICs and HHDICs, there are good examples of how the problem has been overcome.

There is also a striking difference between developed countries and LHDICs with regard to legislation on education. Takala reminds us of the fact that already, as early as 1948, the United Nations declared basic education compulsory (Takala 2001, X). Countries that implemented this ruling are all now in the middle or high HDI categories, while LHDICs which refused, or neglected, to implement the declaration have subsequently remained in the lowest category of HDI. During the colonial era, basic education was stipulated as compulsory in many of the LHDICs. After independence, high turnaround of legislation took place, without annulling the laws on education. This is a manifestation of the phenomenon, "soft state" as defined by Myrdal (1968).

From time to time, the world community remembers and emphasizes the importance of basic education. In 1990, 155 Governments signed the declaration, "Education for all" in Jomtien, Thailand. (Little, Hoppers & Gardner 1994; Hall & Midgley 2004, 159) This declaration still forms the basis for many successful education programs in many countries. Nonetheless, the results leave a lot to be desired. The above-mentioned considerations may perhaps encourage LHDICs to improve basic education services.

The Copenhagen consensus, a panel of the world's leading development economists and social scientists, included education in their list of priorities in the spending of additional funds to accelerate development (Bhagwati et.al. 2004, 605-644). However, considering that the list (civil conflicts, climate change, communicable diseases, education, financial stability, governance, hunger and malnutrition, migration, trade reform, water and sanitation) was drawn up according to the order of priority, education could have been higher on the list; since it could help to improve all the other listed problem areas.

Public expenditure on education is a measure of the importance assigned to it, and shows why LHDICs lag behind. In LHDICs the rate persistently remains below 3% of GDP, while in the more advanced countries rates vary from 3 up to as much as 8%. Considering the much higher GDP base in developed countries, the expenditure on education is many times more. To emphasize this point, Japan will serve as an example. There the percentage is in the range of 7-8%; and calculated as a percentage of the government budget, the rate is as high as 43%. This explains, at least partly, the miraculous pace of development that has taken place in Japan during the last few decades. (WB 2002a; UNDP 2001a) South-Korea provides another good example of the positive impact of education. Korea had a lower GDP than Ghana in 1960 (\$155 versus \$180) and now, thanks mainly to heavy investment in education, South-Korea's GDP is 35 times higher than that of Ghana. (WB 2002b, 19) The challenge of investing sufficiently in education is aggravated by the fact that population growth exceeds the growth in the numbers of literate people in the world (Raassina 1990, 7).

Stiglitz (2002, 76) is also a strong believer in basic education as the key to development. He notes that "countless studies have shown that countries that have invested in universal primary education are doing better." Further, some study results show that education can raise people's earnings by 5% to 10% for each year of schooling (WB 2002c, 12). Another argument concerning education,

is provided by Thomas (Thomas in Meier & Stiglitz 2001, 164–166), who claims the “economic rate of return on education is much higher in open economies than in closed ones”. This highlights the combined impact of good governance and education.

Another issue related to education is the level of science and technology. According to Diamond (1997, 242), inventions are more often a result of curiosity than of need or demand, and thus invention is the mother of necessity. In support of this view, it does seem to be the case that in the industrial countries, the scientific outlook is more curiosity- oriented; and thus eventually leads to more education, research and development.

Education pays off (Takala 2001); and compulsory basic schooling can lead to freedom (Sen 1999). Education can enable the realization of the other basic pillars of an emerging development strategy; good governance, property rights, and sound economic policies favouring entrepreneurship.

### **4.2.3 Property rights**

Relevant property rights form a secure platform for development. Property rights can be said to entail: legislation, the rule and enforcement of law, international treaties, patents, trademarks granted and regulations concerning the banking sector and financial institutions. Corruption, combined with loopholes in the rules and regulations erode confidence and discourage domestic and foreign direct investments. Further, the handling of bankruptcy cases often leaves investors at the mercy of random handling; undermining property rights. (Easterly 2002) Foreign direct investment would be one good way of enhancing economic development, but such investment is unlikely to be made unless the investors can be sure that their property rights are secure. (WB 2005, 4–5)

In the absence of property rights, risk levels tend to rise; resulting in a reluctance to invest in, or to have trade relationships with such high-risk countries. Thus, a vicious circle is created, and risk-level indicators tend to rise. One example of this is (WB 2002e, 10) that in the 1990s, 40% of the private wealth in Africa was held outside African countries. Direct foreign investments tend to flow to more protected, safer targets.

However, the most important aspect of property rights in our context is the question of land ownership. Most of the land in LHDICs is customary land, controlled by the chiefs and village headmen. This can scare away ordinary people and companies with their possible investment plans, due to the high risk of investing in land they cannot own nor use as collateral. Clearly-defined land related property rights minimize risks and encourage investments, and enable land to be used as collateral; and as such, as a store of value. Land ownership regulations are considered, especially in Africa, as a somewhat obscure, complicated series of retreating and reversionary rights. (Koponen 1988, 273; Mabogunje 1992)

In Africa access to land used to be predicated on kinship nexus until colonial times. Colonialism caused massive population movements, distorting the system. After independence, the pendulum swung to the other extreme, resulting in more than half of all African countries nationalizing land. Nationalisation was implemented for the sake of political choice, but also in order to avoid difficulties which would attend the allocation of land to private owners. (Bruce 1993, 35–51) Bruce elaborates on the importance of land ownership and tries in addition to find reasons why African countries should continue with the present system of customary land tenure. However, the only significant argument he found in his article is the danger of land-grabbing by the more powerful people at the initial stage of a reform. (Okoth-Ogendo in Bruce 1993, 247–270). Without recognized titles to land – that is, without the cultural institution of land ownership – it is extremely difficult to manage the very considerable value that land represents. (Mabogunje 1992, XIV).

According to De Soto (2000) the most important single reason for poverty in the least developed countries is the fact that assets, which mainly take the form of land, are not registered; and therefore cannot be used as collateral. This in turn makes land “dead capital” instead of capital that could trigger a take-off of the development process. He estimates that the total value of extralegal assets is approximately 9, 3 trillion USD. (De Soto 2000, 35). Assuming that such a huge volume of assets could be used as collateral, an even bigger value base could be generated to be used, not only as collateral, but also as input. Hoff and Stiglitz confirm this view (Hoff in Meier & Stiglitz 2001, 231, 427). The World Bank gives an example: he says that \$1 of guarantee is capable of generating more than 5 \$ in new investment (WB 2002c, 48). If the amount mentioned above by De Soto is accurate, the investment opportunity opened up by using land as collateral would be the enormous amount of \$ 45 trillion! There are many researchers who agree about the importance of property rights for efficiency and development (Stiglitz 2002, 164, Mabogunje 1992, 6; Galbraith 1979; Senghaas, 1985, 133; Coase 1960). China provides a further example. After collective agriculture was abandoned in 1978, families were assigned small holdings. That is the point in time when China’s development boom began (Sachs 2005, 159). At the onset of such a land reform, the initial allocation of plots is likely to be a problem. Finland offers an example of how this problem can be solved. When land reform was implemented after independence, the solution was to give people the right to buy out or redeem the plot they were occupying at the time of the reform. (See the case study of Finland in Chapter 6)

According to Todaro and Carter (Todaro 1997, 304–314; Carter 2000), agrarian structures have a huge impact on inequality of income and development in general, in addition to the question of land ownership. In Latin-America the prevailing structure used to be Latifundios, which functioned based on the work of Minifundios. This structure originated in the Spanish crown’s early colonial practice of giving huge land grants to soldiers involved in the conquest of Chilean territory. These big estates were typically run by small Minifundios. These were poor rural workers whose plots were not enough to provide a living, so that they were forced to work for the Latifundio.

(See the case study of Chile, chapter 6) In Asia, farm sizes also tend to be big. They are cultivated by workers serving absent owners who often live in big cities. This situation, in addition to the large population density of the land in general, often tends to result in lax management and low efficiency. In Africa, where most of the LHDICS are, the land ownership structures are obscure and can aggravate low-productivity of subsistence farming (Kortteinen, 1999,73).

The relevance of agrarian structures to land ownership and property rights is, that the ownership question indirectly and in a somewhat disguised way results in biased agrarian structures, as described above. Consequently, the productivity of the entire agricultural sector and eventually, levels of development are affected, especially in Africa. (Mvunga 1982)

In addition to providing people with a livelihood, considerable land areas are declared protected areas, which mean that they are unavailable for agriculture or other productive use, such as forestry, or mining. These areas are thus effectively reserved for use by future generations. In LHDICs and average of 6,5% of all land is protected. The corresponding figures in Thailand, Chile and Finland are: 13%, 18% and 6% respectively. (WB 2002d, 146–148) It seems that the more land is protected, the better, as long as the economic base is not interfered with. But because many LHDICs are “soft states” (Myrdal 1968; Nygren 1999), enforcement of this protection is very often lacking, even if appropriate legislation is in place.

De Soto goes on to claim (2000, 20–30), that in addition to the unregistered assets, excessive bureaucracy and legislation create an impenetrable wall of rules barring people from initiating social and economic activities. As a result, the grey economy and extra-legality is the norm, with whole communities carrying out their activities in secret, with legality confined to the margins. Extralegal activities are not antisocial or criminal, but they serve as an indicator of how inappropriate, and even absurd, legislation at times is; and how strongly laws contradict the common sense and values of those who support a market economy. (Farrell & Schneider 2004, 84) Further, “legally documented, registered property systems are needed as they are in place in the presently affluent societies” (De Soto 2000).

Property rights-related issues, especially statutory land, will form another element in the development strategy summarized in chapter 7. The papers dealing with individual countries, which appear in chapter 6, will look for evidence to support this. Another argument in favour of statutory land is the fact that land is an asset without the limited lifespan that characterises all man-made assets. Therefore it can contribute tremendously to the development process.

#### **4.2.4 Economy**

The importance of the economy in relation to the level of development cannot be overemphasized. In the final analysis, most of the other development factors turn out to be economic; and money-related at least to an extent. This chapter discusses some of the most important economic indicators with the object of



identifying and emphasizing issues that call for remedies, so as to reduce the gap between countries in different HDI categories.

Mkandawire (2004, 5) emphasizes the same by stating that “Social” and economic” are inherently inseparably intertwined so that economic policy is social policy and social policy is economic policy.

International trade is also touched upon, which is at the top of global agenda in development related forums. Some statistical facts and figures are given to support the discussion in this section. They are further summarized in table form in chapter 6.2.4., following the section, economy, in the case studies of Zambia, Thailand, Chile and Finland.

### **Economy, trade, entrepreneurship and resources**

Keynes, one of the most famous economists of all time, argued that the main reason for an economic downturn is lack of aggregate demand. The blame for some of the downturns, namely the East-Asian crisis which started in 1997, and for failures in the transition process in Russia is directed at the IMF, which is held to be chiefly to blame. (Stiglitz 2002, 11) It seems that the point of difference between the views of the IMF and those of Stiglitz, concerns the length of time required for the IMF recipes to work and have a positive impact. The IMF has based its strategies on the “Washington consensus” which, in a nutshell means, “Laissez faire” or “liberalize and go home” (ibid. 16). Other obstacles to development-related factors are: “Rent-seeking” and fungibility; a phenomenon discussed in chapter 4.1. “Rent seeking” means trying to gain economic benefits at the expense of others. (Kruger in Stiglitz 2002) At present, fungibility undermines even the new HIPC initiative whereby, while foreign debt is forgiven, governments’ own funds are diverted to low-priority use. Liberalization should be carried out with caution; bankruptcy procedures should be revised; there should be less reliance on bailouts; and banking regulations, safety nets and risk management should be improved to further mitigate the impacts of downturns. (Stiglitz 2002, 237-240)

One major concern among economists is the tendency for formal and informal sectors of economies not to function in synchrony. For example, De Soto writes (2000, 98) that by merging informal and formal sectors, capitalism could be freed from its “bell jar” and allowed out into an integrated society so that development could take place. De Soto defines “bell jar” as a type of polarization, whereby capitalism benefits one sector of society while people in the informal sector are excluded. Merging the informal sector in LHDICs into the formal one would considerably enlarge the tax base and thus increase tax revenue. Informal sector activities are as high as 41% on average in developing countries. For the purpose of securing sound Government finances, the tax base, and minimizing tax evasion are more important factors than the tax rate itself. With a broad enough tax base, taxes could be reduced; and thus people would not be forced into the grey economy (Farrell & Schneider 2004, 84). “The devils deal” is one of the reasons for informal sector activities to persist. Tendler (2004, 125) correctly worries about this phenomena explaining her term to refer

to corruption, whereby politicians tolerate illegal and informal activities in exchange of votes at election times.

The relative growth of the gross domestic product gives a good indication of the development process in a given country. As long as this indicator is higher than population growth, the per capita income can still grow. Among LHDICs this criterion is just met; and this can thus give hope that the development process can go on. With regard to GDP growth rates, some studies estimate, that in 2050 the average global GNP per capita will be \$15,555, which is equivalent to \$42 per day. (WB 2003, XIV) However, conclusions based on this figure should be drawn only after discounting it to its present-day value and comparing it with today's equivalent. Using a discounting rate of 2%, the figure would be \$17 in today's terms. The majority of people in most LHDICs live below the poverty line, calculated as \$2/day; and many have even less than \$1 per day. The proportion of the population living on less than \$1 per day is as high as 46 % which would almost suggest that we should recognize another group of countries: those inhabited by the poorest of the poor. For the sake of comparison, the average citizen of the high income countries lives on approximately US\$ 76. - Per day. (Average ppp/year 2002; 27,770. - /365 days = USD 76. - /day. Corresponding average global amount is; 7410.-/ 365 = USD 20.-/day. (WB 2002d, 20)

Gross domestic investment and gross domestic saving as a percentage of GDP are indicators of the future course of the economy; and if they are substantial they lay a solid foundation for sustainable economic development. Sub-Saharan Africa has the lowest investment and savings in the whole world. (See also Chapter 6.2.4. Table 6) This partly explains the slow development of this region; which is due also to the uncertain status of property rights as discussed in section 4.4. Sub-Saharan Africa, where 30 of the LHDICs are located is the only region where these indicators have worsened. (WB 2002d, 195,196) Vartiainen (2004, 205–206) emphasises saving by stating that today's consumption at the expense of the future is a puzzle for a narrow-minded economist. Important channels for savings worldwide are pension systems. The differences in the percentage of population contributing to pension systems are remarkably large between LHDICS and more advanced countries. (WB 2002d, 78–79) For the percentages in the four case studies, see the following section 6.

Major sources of growth and development are the creation of a good investment climate, and the empowering of poor people. Again, the investment climate translates into property rights-related issue. Good investment climate can be created through sound macroeconomics. This entails trade polices; raising openness and productivity; regulated promotion of industry; competition; the prevention of corruption; and the provision of basic infrastructure and effective services. (WB 2002d, 273; Ministry for Foreign Affairs of Finland, 2003) The World Bank's development report for 2005 is dedicated to the theme of how to improve the investment climate. The report states that a bad investment climate manifests itself in the form of the following: uncertainty about government policy; macro instability; crime; a lack of access

to land, finance, and communications; uncertainty about the regulations regarding tax rates; unstable prices; uncertainty regarding the operation of law courts; supply of electricity; uncertainty regarding transportation, labour laws and administrative procedures. A bad investment climate can add 25% to the costs of sales for private-sector corporations. (WB 2005)

Current-account balances have been negative in LHDICs over a period of several years. Deficits tend to result in increasing external debt. Countries are classified by their indebtedness in the category of severely indebted if external debt exceeds 220% of its exports, and moderately indebted if the percentage exceeds 132%. (WB 2002d, 198) HIPC stands for heavily indebted poor countries. Indebtedness is at least one indicator in regard to which LHDICs are not in the lowest or worst categories. An HIPC initiative means that considerable share of foreign debt has been forgiven by international creditors. Further, the fact that the majority of foreign aid comes in the form of grants contributes to LHDICs scoring fairly well in this regard. (WB 2002d)

According to Shultz (1964), arable land expressed as area per person (hectare) is one indicator of food security in any given country. It excludes the efficiency factor of the sector, but when comparing the area from one period to the other, it gives some indication of the prevailing trend. Arable land per capita reduced by 36% in LHDICs from the 1970s to the 1990s (WB 2002d, 128-129), which can be considered very drastic. In high HDICs, reductions have been in the range of 10%, but at least the fall has been compensated for by higher efficiency. The trend is quite alarming. However, there is hope for improvement. One example is the fact that since the 1970s Asia has doubled its cereal production with only a 4% increase in the area of croplands. Land tenure systems and subsequent property rights play a role in this regard, as discussed in the previous section. Irrigated land as a percentage of total cropland is another indicator reflecting the status of the agriculture sector. Conclusions on this indicator have to be cautious, because the need for irrigated agriculture depends very much on the climate. Considerable increase in irrigated areas would add to the ability to adjust to shocks, including drought in LHDICs. However, it can be re-emphasised that starvation has never been caused by famines, but rather by administrative and logistical failures. (Sen 1999)

Micro finance has proved itself an effective tool for enhancing the economy through entrepreneurship. However, (WB 2002d, 279) micro finance at present reaches only about 12,5 million people; while up to 500 million people would benefit from such a facility. Small and medium enterprises would be an excellent way of empowering the poor in LHDICs, and would enhance development by engaging women in entrepreneurial activities. The proportion of females in the labor force varies surprisingly little between LHDICs and the four countries analyzed. In LHDICs the share is 43%. Considering the fact that the overall proportion of females is slightly above 50%, it can be concluded that there is still a dormant potential for more female laborers, especially in the poor countries. Microfinance could go a long way in mobilizing them productively.

## Trade and entrepreneurship

Trade balances vary considerably from time to time just like the current-account balances mentioned above. Studies show that out of the global total of exports, only 22,6% flows as imports to low and middle income countries; and further breaking that down, only 1,2% flows to Sub-Saharan Africa, where most LHDICs are situated (WB 2002d, 336). Regional trade blocks play an important role in improving the situation (ibid. 2002d, 346). Among high and middle income and low-and middle-income economies there are four big blocks; in Latin America and the Caribbean region there are 9 blocks, in Africa there are 11 blocks and in the Middle East and Asia there are 8 blocks. By far the biggest blocks are: the APEC, the EU and the EAEC. However, one gets the impression that there are too many. Countries import and export both as individual countries and as members of various blocks. Conflict of interest can be the end result. Instead of all the countries competing in the market, there are countries plus the trade blocks competing, and this aggravates the problems and challenges of world-wide trade. The relevance of this, in our context, is that LHDICs generally suffer as a result of trade barriers and tariffs; and consequently, the more blocks and institutions there are, the more difficult is the situation for LHDICs compared with countries with stronger economies. This seems to apply to multilateral agreements on investments as well (Henderson 1999)

Trade barriers are a matter of great concern. On average, tariffs imposed by industrial countries on imports from developing countries are four times those on imports from other industrial countries. In addition, countries that belong to the OECD provide about \$1billion a day in domestic subsidies - more than six times what they spend on official development assistance for developing countries (UNDP 2002, 7). Further, converting the above-mentioned tariffs into per capita level (WB 2002d, 328), these figures mean that the tariffs faced by the extremely poor and the poor are twice the tariffs faced by the non-poor.

(Bhagwati 2005, 76; Cline 2004) Quotas and standards are another type of trade-related instrument. HHDICs use them effectively in hindering the economic interests of LHDICS in favor of those of more developed countries.

With regard to the question of unfair trade barriers, the question put should really be: How much should industrialized countries assist LHDICs and in what way? Official development assistance flows are in the category of \$ 50 billion a year, while agriculture subsidies in the richer countries are said to be at least six times more than this (UNDP 2003, 12); and considering all the various subsidies, about a trillion; or twenty times more each year. Removing all trade barriers would mean increasing development assistance sixfold. (UNDP 2003, 155)

The question is, how responsible are the developed nations, when faced with the prospect of removing trade barriers? It seems to be universally accepted that governments should support entrepreneurship within their borders, so why should this not also apply outside, in the global marketplace? To support, assist and promote one's own corporate base seems logical and

good governance. If industrialized countries did not spend these huge amounts in subsidies, the money would probably go to some less earmarked support, like tax cuts or marketing support, etc. In the end, the result would be the same from the global market point of view. Developing countries would in any case have to do the same groundwork, and build up a wide enough and competitive base for successful participation in world markets. Discontinuing subsidies would mean increasing the amount earmarked for development aid. On this issue, Porter and Sheppard (1998, 398) conclude that multinationals are a bigger barrier to trade than tariffs, because they apply transfer pricing, resulting in prices which are seldom market-based. They are used to adjust the surpluses and deficits of multinational companies, as part of corporate strategies worldwide. Labour productivity also has an impact on this, and is 2-3 times higher in high HDICs than in LHDICs (WB 2002d, 64-65). Another serious consideration is that even if trade agreements were to be revised in favor of LHDICs, these countries would very likely not have enough goods and products to sell on the world market, due to all the above mentioned obstacles. (Land tenure, productivity and so on) (Commission for Africa 2005).

### **Energy, water and other natural resources**

Natural resources exist, if not in abundance, at least to the extent of forming a basis for sound economics. There are affluent countries without many natural resources (Japan is one example); but by adding value to imports, considerable export industries have been built up and an economic base and growth has been secured. Among the LHDICs, those that have been endowed with rich natural resources, instead of taking full advantage of them, have instead ended up fighting for those resources. Nigeria and Angola are examples of this among the oil exporting LHDICs. They are exporting large volumes of oil but probably misusing their revenues. The phenomenon has been named: "resource curse". (WB 2003, 148-149) Forests represent one such important resource base, and deforestation is a big issue. There were 5 billion hectares of forests at the beginning of the 20<sup>th</sup> century, which is twice as large as the area of croplands. That area has shrunk to 3, 9 billion hectares by now. If the present rate of destruction continues, all forests will be cleared in 500 years. (WB 2002d, 133) Finland is one of the very few countries with a record of so-called "plus forest", whereby growth exceeds the annual cut, even if the growth period is less than six months each year and the annual cut is considerable. "Resource curse" has in some cases proved to be another obstacle to development. In 113 countries resources has been a hindrance to creating good institutions (WB 2003, 149). Clean water is the lifeblood of any country and in spite of the fact that the globe is mainly ocean water there is a serious shortage of clean drinking water. But without this, people are prone to diseases, and consequently subject to lower productivity and reduced quality of life. Looking at absolute volumes, it seems that there is enough water, but that the lack of it is due to bad governance and failing logistics.

Another relevant concept introduced by Schumpeter is “creative destruction”. (Castells 2002a, 42; Harvey 1989, 16–19; OECD 1971, 29) An example of this could be the presently on-going IT revolution, whereby the technology of the 1970’s and 1980’s are already obsolete. This has destroyed companies and institutions that were once blossoming and contributing to development. However, this phenomenon offers LHDICS a good opportunity to take shortcuts by skipping some of the obsolete technology generations or phases and implementing the latest available technologies. In this way the high tech countries are carrying the cost of innovations that LHDICS can benefit from.

Easterly (2002) emphasises that as regards the welfare of the poor, growth through changes in technology is much more beneficial than a distribution of income. UNDP (2001, 1) agrees with this view, and has stated that to take technology forward, there should be freedom to innovate and possibility to take risks (Collins 2001). Castells (2002, 69) supports this view; stating that the ideal model is technological creativity, which is the result of market development, development stimulus and personal success.

#### **4.2.5 Summary of the strategy level discussion**

Issues of this chapter above on strategy level are, to a big extent, the same as in the introduction of development theories presented in chapter 2. This is understandable, because strategy level actors, namely international organizations, refer often to scientific literature, and similarly, scholars often rely on empirical data of the international institutions and other major actors that they accumulate through their work. Another explanation to this is that same individuals often carry out research as scholars and have some influential positions in major development institutions.

Especially governance, education, property rights and economy are very strongly emphasized by the key development strategy level actors. Education constitutes an important part of the HDI index and it is also considered as a tool and means to enhance the HDI. It will be useful to consider other tools and means available for implementing strategies. WB lists (2003, 18) the following assets as available for execution and implementation: human assets; natural assets; human-made assets; social assets, referring to trust, networks, and understanding; and knowledge assets. These last ones consist of codified knowledge assets, which are transferable (documented knowledge, the product of scientific research) and tacit assets, which consist of things like the individual’s experience and judgment.

LHDICs have natural assets, but they have fewer man-made assets than advanced countries. They have enough people, but less knowledge assets than middle and high HDICs. They have equal potential for social assets, but lack access to communication and globalization processes. This “toolkit” of assets emphasizes the importance of knowledge assets, which is in harmony with the core of the above strategy elements suggested by scholars, education in particular. Education also translates into the capacity to facilitate, perform and execute things. In addition to being an asset, education is one dimension of the

HDI goal, and thus duplicates its role in the development process. Therefore, vocational and higher education seems to emerge as the most important enhancing factor for development. This distinction can brake the otherwise problematic loop. Last, but not least, freedom, (Sen 1999) is the means that releases the potential and capability of people to fully use the other human assets.

In addition to these major factors affecting development process, some additional issues were outlined having a big impact on development. These are: war/peace, health, colonialism, geography, climate, culture, religion, communication, aid and globalization. They constitute the first and second cycles of Braudel's (1980) long conjunctures on which platforms nation- state interventions are taking place. In order to pave the way to the selected four case studies, it is time to elaborate on research questions and methodology of this study.

## **5 AIM OF THE RESEARCH AND RESEARCH METHODOLOGY**

### **5.1 Elaboration of research questions**

Why is there so much poverty in developing countries and how could the situation be improved? To ask these questions means joining a growing group of people who are working to find answers; answers which could point the way to practical solutions. Doing research aiming at finding answers to these questions means contributing to development studies, an important branch of social sciences.

The main research question in this study is how to improve the development status of low human development index countries, LHDICs. The aim of the study is to identify factors that trigger and enhance the development process, and those that hinder development. Development is measured in terms of the Human Development Index, HDI, as introduced by the UNDP and described in chapter 3. Throughout the paper, the link between HDI index results and the development process itself is explored.

Using the HDI as criterion, all the countries of the world, from which the necessary data is available, are categorized in three groups: Low HDI Countries, which were 31 in 2004; 83 medium HDI countries; and 63 high HDI countries. The UNDP has listed another 17 countries from which not enough information is available for an HDI classification to be made.

Causal factors relating to development in LHDICs identified by scholars prominent in this field include good governance; the existence of secure property rights, especially with regard to land ownership; the provision of basic education for all; and sound economic policies. There is the further question of, whether solutions applied by high human development index countries might be of some use when formulating an improved development strategy for LHDICs. The growing group interested in these questions consists of ordinary citizens, international institutions, researchers and contemporary scholars. (Stiglitz 2002; De Soto 2000; Sen 1999; Todaro 1997; Castells 1996;



Hettne 1995; North 1981; Galbraith 1979; Myrdal 1968; Rostow 1960; Keynes 1936) The aim of this study is to establish whether or not the four factors identified above do indeed provide the major part of the explanation for the poverty of LHDICs, and thus, point the way towards finding a solution for the poverty of these countries.

Development study related literature is quite rich in its analysis of the long-durée and auxiliary factors which provide the background conditions in the context of which development may take place. This we have already seen in previous chapters. Long-durée factors refer to facts that we have to take as given and beyond our control. These are geography and climate. Auxiliary factors in this context are: culture, religion, colonialism, peace/conflicts, health, aid, communication and globalization. These factors form the “platform”, on which the considerations of governance, property rights, education and economic policy can operate and are regulated. The comparative case studies which are the subject of chapter 6 will throw light on the degree to which long durée and auxiliary factors provide a suitable background, or “platform”, for the operation of the above-mentioned four major conditions allowing countries to develop.

## 5.2 Research Design

In an attempt to find answers to the questions posed above, this study consists of five parts, as follows:

1. Firstly, a review of contemporary literature and research publications (chapter 2) The purpose of this review is to identify solutions proposed so far by scholars and researchers.
2. Secondly, definitions of, and discussion of key concepts such as development, poverty, relevant indicators and the Human Development Index, HDI. ( chapter 3)
3. Thirdly, discussion on the level of strategy (chapter 4), as to why LHDICs have not developed, and how countries in the higher HDI categories have developed. Similarities and differences between countries in different HDI categories are also reviewed. The purpose of the discussion is to identify the features these countries have in common, and to identify, too, those features that may be found to be dominant in developed countries but missing in the low HDI countries. The aim is to identify those features that seem to trap the HDI countries in poverty. This chapter is based on some facts and figures concerning LHDICs, and on publications by the most respected development institutions worldwide currently planning, financing and executing development programmes.

4. Fourthly, in depth comparative country analysis of Zambia, Thailand, Chile and Finland. These countries represent the low-HDI, middle-HDI, and high-HDI country groups. In addition to Chile, Finland, as another high HDI country, is also analysed because she provides an example of a highly-industrialized, high-tech, affluent country. Categorization is based on the Human Development Index (HDI) as introduced by the UNDP in the Human Development Report. Again, the purpose of these case studies is to try to identify major factors that have contributed to the rise of certain countries, and their moving up from one HDI category to the next. In order to give additional weight to the study results, some key comparisons are also made with as many other countries around the world as possible. This is done by means of scatter plot diagrams representing some key indicators reflecting level of governance, property rights, education and economic policy in the selected four case study countries, and in all those countries from which data is available, extending up to 177 countries.
5. Fifthly, conclusions are drawn from the above-mentioned LHDIC profiles, and in-depth country analysis, and from contemporary literature and research publications and strategy-level documentation. The purpose is to highlight major issues that could be included in a country-wide poverty reduction strategy; or to express it more positively, in a development strategy.

The selection of the case studies is based on several factors. Firstly, these particular countries provide the opportunity to observe development processes on four different continents, namely Africa, Asia, Latin America and Europe. In this way the approach is global. It is important to include a country from Latin America in order to achieve as global an approach as possible. Chile is very well representative in this regard, since it also allows comparison with Zambia with regard to copper, which is by far, the most important export revenue earner for both Zambia and Chile. Finland, in addition to being in the high HDI group, also represents a high income country, according to UN and OECD classifications. Secondly, selection was based on pragmatic factors. Having lived and worked on a long-term basis in Zambia, Thailand and Finland, and having visited Chile makes it easier to evaluate the relevant literature and to assess the practical everyday life of these societies and to draw conclusions. Further, in my judgment, these countries should provide enough information to make possible the planning of development strategy interventions for the future. Making such a judgment is an essential part of a comparative case study. These case studies are designed to support or else to nullify research findings reported in previous chapters.

### 5.3 Methodology and Data

#### Methodology

When I began this research, I ran into some criticism for making the scope of the study too wide. But I felt that restricting the scope of my inquiries to certain only of the various development-related areas, would limit any contributions I might be able to make to the discourse of development I therefore decided to carry on with the study according to the original plan. This decision receives some support from Raumolin. (1980 VI) To borrow his phrase, the study could be said to be specializing against specialization; this is to say, cross-cutting. Raumolin wrote that one should dare, and be allowed, to take on cross-cutting challenges in order to find new approaches and solutions to research questions.

The research method consists of the identification of long-term cycles in the history of the selected countries. This approach was advocated by Braudel in his book, "On History" (1980). In this book, Braudel first deals with long cycles like those associated with geography, climate, etc. Secondly, there is an account given of cyclical conjunctures. The third cycle refers to nation-state-related events and factors. Sewell (2005, 109, 197) re-emphasizes Braudel's long cycles. According to him, Braudel's first long cycle, of geography and climate, and second cycle of conjunctures are the ones that matter most. They provide the background conditions and set the scenes, in which the third cycle of events can take place. In Braudel's scheme of categorization, those facts change only very slowly, and could be termed "geographical time". Interventions are possible only in the cycles of conjunctures (second cycle/social time) and the third cycle (events/individual time). Typical characteristics of the second cycle are: institutions, systems, attitudes, circumstances and basic values. Wallerstein's (1984, 1989) extensive research is similar to that of Braudel and mainly concentrates on the long cycle (the first level) and conjunctures (the second level). His approach is global, and embraces the entire world system. The strategy-level intervention proposals of this study correspond to Braudel's second-level conjunctures and third-level events, respectively. The case-studies of individual countries, reported below, include data that relate to level one, the long cycle. Another point of similarity between these case studies and Braudel's cycles is in the way both move back and forth between the global level, national macro-issues, and the micro level. In the method used the main point of difference from historical studies is that in this study, proposals are made for improvements for the future by learning from the past. That is possible only if the past and present are understood. Diamond's (2005) book, *Collapse*, provides many warning examples of how societies have failed. Avoiding repeating failures can contribute to finding successful development strategies.

The essence of this research work is to look for a workable development strategy for LHDICs through careful comparative analysis of four countries in different HDI categories. Comparative research makes use of both quantitative

and qualitative methods. The approach used is mainly quantitative; comparisons, arguments and conclusions are based on solid data. Observations of some of the indicators concerning development status based on quantitative data may considerably change when they are analysed qualitatively. The same applies to conclusions made in reverse order. Therefore judgements based on both quantitative and qualitative scales probably enable most meaningful conclusions to be made. Combining the two methods is quite common in social research (Bryman 1988, 153–156). In Bryman's view, the biggest problem in qualitative research is to "see through the eyes" of what is being studied. Again, it is felt that the author's extensive experience in several developing countries enables that. In the 1990s the school of thought called the "Third way" came into being. (Giddens 1998; Hall & Midgley 2004, 30, 53; Martell in Munshi & Abraham 2004, 92–107) Although it was developed with good governance in mind, it can also apply to other prerequisites of development with which this research deals. It can translate into "what works best".

This thesis follows the following methodological steps: Describing, explaining, classifying, comparing, interpreting, and concretizing macro-level development phenomena. For example, descriptions and explanations are given of what constitutes good governance; what does land related secure property rights mean; why is education important; and what is the impact of sound economic policies. Various indicators are classified, concretized in quantitative tables. Comparing is done quantitatively and qualitatively followed by interpretations concerning the impact of these factors on the development process. Model-building may be too ambitious a term for it, but a case study, comparing four different countries in an attempt to identify the preconditions for development" could be an accurate description.

For the sake of meaningful comparison, the selected country studies are made as commensurable as possible. All four countries are different, which means that investigating similar questions in each of them can lead to valuable conclusions. Approaching the subject from the opposite direction, by observing differences in development-related factors in these selected countries can possibly provide additional supportive evidence. "Commensurable" means that the studies address the same questions, and study each country to the same depth. In each thematic chapter and sub-section, information corresponding with the headings is provided for all the four countries analysed in the same order, i.e., Zambia, Thailand, Chile and Finland.

## **Data**

A word of clarification is appropriate here with regard to the data used in this study. The data used is drawn from ready-made statistics and data available publicly and worldwide. There was no need to collect any additional data of my own. Firstly, the review of development theories underlying development studies (chapter 2), does not make any use of numerical data. Secondly, UNDP statistics are used to categorize all countries in order to define the target group of this research (chapter 3.3), the LHDICs. The target group consists of those

countries where the values of the various HDI components are low. Suggesting means by which those values might be improved is the object of this study. The essential point is to develop a workable development strategy, and therefore the major part of all comparing, strategy-level discussion (chapter 4); explaining, interpreting and formulating, is done qualitatively based on textual resource information. Quantitative data in the form of selective numbers and figures are added with the aim of supporting the qualitative dimension of the strategy discussion in certain parts of the research and thus add some contemporary real life facts in order to build on the theory review. The same applies to the bulk of the study, the in-depth comparative country study. (chapter 6). As a climax, (chapter 6.5), the country-level data is compared with worldwide statistics thus giving additional force to study findings by highlighting the strikingly big differences in some indices reflecting the level of the basic development pillars, governance, education, property rights, economy.

The data were regrouped to serve the purpose of this study. No specific study related assessment of the measurement, including their reliability and validity was carried out. Rather, statistical bureaus and UN organizations and the World Bank statistics were relied on. Scatter plots (chapter 6.5) represent quantitative, statistical measurement, with validity and reliability on the level represented by the resource data.

Scatter plots highlight the relationship between two quantitative variables by plotting the actual values along the two axes. The resulting cloud reveals the relationship between the variables. A fit line can then be added to scatter plots to help to discern the relationship shown in the plots. There are several methods available to fit lines to the points in a scatter plot. Since the data and the resulting clouds reveal nonlinear relationship between the two variables, a nonparametric local linear regression (LLR) curve (i.e. smooter) was selected and added to the scatter plots to make it easier to visualize the relationship between the variables. (Simonoff 1996)

The Corruption index data is based on Transparency International. Education index, health expenditure, population growth and GNP figures are based on UNDP statistics. The World Economic Forum is relied on for information on competitiveness and property rights. The data for economic freedom scatter plots come from The Heritage Foundation data base.

There are countries about which very little statistical data is available. These are, at least, Afghanistan, Iraq, North Korea and Somalia. However, a justifiable assumption would be to say that the conclusions drawn in this paper could be applied to those few countries as well. This means they would mostly likely fall into the LHDIC category.

The volume of data in the world is astronomical and considering how fallible human beings are and how, from time to time, politicians or powerful vested interests, feel the need to manipulate information in the direction people want to see things, data are often distorted. But in my view the quantitative data here are indicative enough to support all the qualitative verbal conclusions that are made.

## 5.4 Epistemological aspects of the research

When embarking on this research, the question naturally arose, as to what was meant by the term “poverty” and “development”. The condition indicated in the term “developed” must presumably be different from – and probably, opposite to the condition denoted by “poor”. Chapter 3 had to be written to clarify this question before I was able to proceed with the study in a meaningful way.

In chapter 3, the most important conclusions are that the aim is to move away from poverty towards what is most commonly called, development. The whole world seems to be engaged in working to achieve development, which leads us to conclude that everybody, or the whole world, is still poor or at least, not developed enough. We are moving, or trying to move away all the time to something that we see as “developed”. That goal, the state “of being developed” is itself also moving all the time. For different people development is different, and relative, but it always remains a distant- and for many people, a far- distant-goal. But for most people, development – their own individual development and also the widely accepted goal of common development – remains an important issue; and one which people continue to strive for. For the majority of people, development, their own private individual development and widely accepted common development is, however, valuable and therefore striving for them continues.

Some people, who according to commonly accepted criteria, are defined as poor, would probably not know that they were poor, unless someone were to tell them so, or unless they were to compare themselves with others who are different in this regard and so reach their own conclusion about their status. There are many people and institutions specializing in defining poverty and development; these people try to find solutions as to how to keep on moving towards the moving target. This is probably the essence of human life and will remain a fact as long as the dimension of time, and human life, continue. As time passes, people, and everything that is material deteriorates through wear and tear. Therefore, considerable development work is needed to avoid falling behind even before making progress. The time dimension is something too big to handle in this study; but it cannot be neglected, and therefore it has been introduced in chapter 7. The complexity of time is well illustrated in Korhonen’s (1998, 21–31) phrase, “We live in a randomly defined point of time in the magnificent emptiness of infinity”. Another distinction should be made between the way people try to develop. The polarized opposites are, sweating and struggling versus leading a happy, stress-free and friendly process. Either way, development studies, and social sciences in general are demanding because they are concerned with human beings and therefore require the application of strict ethical standards.

The question of ethics is relevant as it concerns me as the author of this study. My approach, with all the limitation and biases, is based on a long working life of dedication and commitment to development work. A major

problem has been to eliminate subjective opinions that are based on an accumulated set of experiences gained from my many contacts with the “developing” world. Therefore, an effort has been made not to offer ready made recipes, but to learn from what others have achieved and then regroup the lessons into a combination of research results with the blend that this particular study represents. However, this paper carries the burden of the bias of an economist, specializing in finance and development economics. The limitations of the study result from selective choices made by the author. Had somebody else, with a different educational background, embarked on a similar study, the results would most probably not be exactly similar. For this reason all the resource literature representing other sciences has considerably added to the value of this paper. Braudel’s historical long durée cycles, and the views of sociologists and anthropologists like Diamond are good examples. The temptation to proceed and share the four case studies with you is increasing. We need to find what answers it is that the study points to.

## **6 CASE STUDIES ILLUSTRATING HOW FOUR COUNTRIES IN DIFFERENT HDI CATEGORIES HAVE DEVELOPED**

I propose to try to answer my research questions with reference to the research literature, on-going strategy-level discourse on development, and the above-mentioned four case studies, which will follow below. These case studies are designed to support or else to nullify findings in previous chapters.

Throughout these cases studies, the focus will be on the factors outlined above in Chapters 2, 3 and 4. These factors seem to appear frequently in various studies discussed and in the literature. If it appears that satisfactory handling of these factors in the countries studied has played a significant role in their rise to higher HDI status, they will be used as strategy building blocks for LHDICs in chapter seven. Similarly, if they are found to have been managed poorly and to be associated with low HDI values, this is another reason to propose improvements and then include them in the strategy.

The following discussion is in two parts, following thematic order, comparing each theme in all the four case study countries. The first one deals with factors that correspond to a high degree with “long durée” and auxiliary factors as discussed in chapter 4 on general strategy level. Location, environment and climate, historical perspective, population, culture, social life and religion and colonialism. Further, security, health, aid, communication and globalization are covered as applicable. The second part consists of a discussion of the factors raised in the research questions as possible answers as their role as key elements to development. These are: Governance and property rights, education, the economy and efforts specifically directed towards development in each country respectively. Some statistics are presented and additional numerical data is also found in the appendices, together with some historical milestones in a timeline for the four countries studied. They are referred to as the need arises. A summary of observations made and conclusions drawn appear at the end each section either supporting or contradicting the proposed findings in this study.



### Low HDI Countries and case study countries according to HDI

This chapter provides HDI average values for LHDICs as a group of countries, and the same values for countries selected for this study: Zambia, low HDI country, Thailand, medium HDI country, Chile and Finland, high HDI countries. These tables form the basis for the following case studies.

The HDI values shown represent only a snapshot, while it is obvious that development that makes a real difference at the national level is a process that takes several decades. Further, this study focuses on the factors enhancing and hindering development, and thus on the development process itself.

TABLE 1 HDI values for LHDICs, Zambia, Thailand, Chile and Finland respectively in 2002.

Country	Life expectancy index, 2002	Education index, 2002	GDP index, 2002	Human development index, 2002
Avg.LHDICs	0.40	0.50	0.41	0.438
Zambia	0.13	0.68	0.36	0.389
Thailand	0.74	0.86	0.71	0.768
Chile	0.85	0.90	0.77	0.839
Finland	0.88	0.99	0.93	0.935

Source: UNDP, HDR 2004, 140-142

The average for LHDICs is based on values for all the 36 countries in the group. The differences seem remarkably big. The Life expectancy ratios in the table are based on 78 years in Finland, In Chile 76 years, in Thailand 69 years and in LHDICs 46 years. Differences in education levels are best reflected in the index itself, since it is a combination of adult literacy rate and gross enrolment ratios. GDP index in Finland (PPP US\$) equals 26,190.-, in Chile 9,820.-, in Thailand 7,010 and in LHDICs 1209, - respectively.

TABLE 2 HDI trends for LHDICs, Zambia, Thailand, Chile and Finland respectively, 1975-2002.

Country	Human development index, HDI						
	1975	1980	1985	1990	1995	2000	2005
LHDICs	0.347	0.378	0.392	0.401	0.407	0.415	0.427
Zambia	0.466	0.474	0.485	0.466	0.418	0.389	0.434
Thailand	0.613	0.651	0.676	0.707	0.742	--	0.781
Chile	0.703	0.738	0.761	0.784	0.814	0.835	0.867
Finland	0.839	0.859	0.876	0.899	0.913	0.933	0.952

Source: UNDP, HDR 2004, 143-146; UNDP, HDR 2007.

The trend averages among LHDICs are based on a varying number of countries depending on the availability of data in the source. Numbers of countries in respective snapshot years above are 24 (1975), 25 (1980), 27(1985), 29 (1990), 32 (1995), 35 (2000) and 29 (2005) respectively.

It is encouraging to observe that the HDI trend is rising in the LHDICs on average, and in Thailand, Chile and Finland, throughout the entire 30-year

period under review. In Zambia the trend declined from 1985 till 2000, but has started to increase thereafter. An attempt to find reasons to this will be made in this chapter covering the selected case studies thematically. Further, appendix 1 table provides additional comparative statistical information on the four selected countries. Appendix 2 broadens the perspective by illustrating the four selected countries in relation to those 177 countries on which data is available on HDI, corruption, education, competitiveness, economic freedom, GNP, health expenditure and population growth,

The questions and themes addressed are the same in all four case studies, and have the following order of presentation under each subheading.

The country, history, people and culture.

- 1 Location, environment and climate
- 2 Historical perspective
- 3 Population and Health
4. Culture, social life and religion

Discussion of the observations relating to the country's current status as regards the factors considered to be key factors for development.

- 1 Governance
- 2 Education
3. Property rights
- 4 Economy, Globalization, Trade and Entrepreneurship
- 5 Development work done
- 6 Concluding remarks

Thematic comparison of the case study countries with up to 177 countries in form of scatter plots will close the case studies with and additional emphasis on the key research findings.

## **6.1 Long “durée” and auxiliary development factors in case study countries**

### **6.1.1 Location, environment and climate**

**Zambia** is a landlocked country with a total area of 752,614 square kilometres, which represents 2.5% of the African continent. It is surrounded by 8 countries: Angola, Namibia, Botswana, Zimbabwe, Mozambique, Malawi, Tanzania and The Democratic Republic of Congo. The country lies on a plateau between 1000

and 1600 meters above sea level, and therefore has a fairly cool sub-tropical climate. (Cia.gov/worldfactbook; zambiatourism.com)

There are three seasons: the hot season from September to November, the wet season from November to March, and the cool season from April to August. Annual rainfall ranges from 1250 mm in the north to 500 mm in the south. However, droughts and floods are recurrent, and irrigation is insufficient. Zambia is richly endowed with water resources, both surface and groundwater, such as the Zambezi river system with its tributaries, Kafue and Luangwa. Part of the Congo River system lies in the northern part of Zambia as well. (cia.gov.worldfactbook;)

Woodlands of the savannah type, closed forests, and bush land with abundant rainfall in the north make the country good for crops and livestock production. Such woods as ebony and teak are plentiful. (Meredith, 2005, 281; UNDP 1999/2000)

The country is rich in minerals, fish and wildlife. The main minerals are copper, cobalt, gemstones and coal. Zambia also has great potential for agriculture, having more than 9 million hectares of arable land. (UNDP 1999/2000; UN 2001)

Apart from its being landlocked, there do not seem to be major factors, that Zambia would have to be considered differently from other countries.

**Thailand**, located in Southeast Asia on the Gulf of Thailand and the Andaman Sea, shares boundaries with Myanmar (Burma) To the west and northwest, Laos to the east and northeast, Cambodia (Kampuchea) to the southeast, and Malaysia to the south. Thailand, rich in rubber and in mineral resources, was never colonized by Europeans and has existed as a unified monarchy since 1350. The capital, Bangkok, a blend of Western and Thai architecture, was established in 1782. (Mahidol University 2003)

Thailand covers a land area of 513,115 square kilometers, Stretching from North 5° 30 to 21° and from East 97° 30 to 105° 30. It extends about 2,500 kilometers from north to south and 1,250 kilometers from east to west, with a coastline of approximately 1,840 kilometers on the Gulf of Thailand and 865 kilometers along the Indian Ocean. Thailand is divided into four natural regions: The North, The Central Plains or Chao Phraya River; Basin, the Northeast, or the Korat Plateau; and the South or the Southern Peninsula. (UNDP 1999b)

The climate is tropical, with long hours of sunshine and high humidity. There are three seasons: Hot from March to June, rainy from July to October and cool from November to February. An average low temperature is 20°C, and a high temperature is 37°C. The geographic and climatic conditions make the country suitable for the cultivation of a wide range of tropical and semi-tropical agricultural crops. (UNDP 1999b; National Identity Office of Thailand 2003)

Thailand possesses her rich mineral resources, and a fertile soil, suitable for agriculture. She is favourably located with regard to trade, in the busy Asia region; being easily accessible by air and sea. Her climate is hot and humid.

**Chile** has an unusual shape: it is a very long and narrow country with a total land area of 756,946 square kilometres. It is surrounded by the Pacific Ocean to the west; Perú and Bolivia to the north; and Argentina to the east. It is divided into thirteen regions, including the Metropolitan Region where Santiago, the capital city is situated. It also exercises sovereignty over 1.250.000 km<sup>2</sup> in the Antarctic Continent, where it has set up several bases for conducting scientific observations. Furthermore, Chile has more than 2.000 islands distributed all along its coastline, most of them in the south. One of these islands is the well known Easter Island which is 3.700 km away from the coast, and famous for its statues. (Diamond 2005, 79-119) If all these territories are taken into account, the total surface area of the country amounts to 2.000.626 km<sup>2</sup>. (IADB 2003)

From north to south, the country ranges from desert to glaciers, by way of cliffs, valleys, lakes, forests, islands, and canals. From east to west, it is squeezed between the Andes mountain range, with altitudes greater than 6,000 meters, and the Pacific Ocean, whose waters reach a depth 8,000 meters in some places. (IADB 2003)

The north region, extending over 1.500 km<sup>2</sup>, covers one third of the Chilean continental territory. Its floor hides great richness: copper, salite, gold and salt. There are also quartz, iron, lapis lazuli, lithium, manganese and gold. (Hickman 1998)

The geology of the south is completely different. Thousands of islands, canals, fiords, and great mountains, glaciers, and lakes are host to a rich native flora and fauna. Pudú and Huemulin particular are regions of the south, where the indigenous *mapuche* culture, with its own unique customs and traditions, still survives. These regions receive flow tourists all year around. (Hickman 1998)

The weather pattern is dry in the north, wet in the south. The hottest month is January, where temperatures range from 12 to 29 degrees Celsius approximately, and the coldest one is June, with arrange of 3 to 14 degrees. The driest month is February, with 2 mm rainfall on average, while the wettest one is June, with 84 mm average rainfall. Temperate and warm weather allow the cultivation of fruits and vegetables, especially grapes, in the north and central parts of the country. (IADB 2003)

**Finland** is situated between 60 and 70 degrees northern latitude and 20 and 32 degrees eastern longitude. The country is bordered by Sweden to the west, Norway to the north, and Russia to the north, with land boundaries of 586 km, 727 km and 1269, respectively. The water areas surrounding Finland are the Baltic Sea, the Gulf of Bothnia and the Gulf of Finland, which separates southern Finland from Estonia. (Statistical yearbook of Finland 2001, 51-52)

The total area of Finland is 337 030 km<sup>2</sup>, of which 305 470 km<sup>2</sup> is land and 31 560 km<sup>2</sup> is water. 68% of the land area is forest or other area covered by trees, 8% is agricultural land, 3% is built up and 11% is open land. (Ala-Orvola 2001, 19) The major part of the Finnish forest is managed, which means that it is harvested for cutting. This creates some disturbances in the local eco-system and the communities. (Brewer & Lehtipuu 1999, 23) About 10% of the total area of Finland is covered by inland waters (Ala-Orvola 2001, 19). There are about

187,888 lakes, 5,100 rapids and 179,584 islands in Finland (Brewer & Lehtipuu 1999, 21). Lakes with an area of at least one hectare total about 56,000. Rivers with a drainage area of over 100 km<sup>2</sup> and with a continuous waterbed of at least 10 km total 647, and islands with an area of at least 100 km<sup>2</sup> total about 98 000. (Statistical yearbook of Finland 2001, 51-52)

The mean altitude of Finland is 152 m. The highest point can be found in the northern part of the country, in Enontekiö, where Haltiatunturi rises to 1,328 m above the sea level. (Statistical yearbook of Finland 2001, 51-52) There are no real mountains in Finland; rather the country is low and flat. Sandy ridges and wooded hills dominate some areas. (Brewer & Lehtipuu 1999, 21) Longitudinally Finland is nearly 1,100 km from north to south. This explains, at least partly, the different range of weather conditions of the country (Ala-Orvola 2001, 19).

Finland's weather could be considered sub-arctic. However, it is much warmer than other places of similar latitude. The weather is comparatively mild because of the North Atlantic Current, the Baltic Sea and the thousands of lakes. (Heino 2001) In Finland there are four distinct seasons; summer, autumn, winter and spring. Summer is generally warm, but sometimes temperatures can fall as low as 10 degrees Celcius. (Brewer & Lehtipuu 1999, 23) Summer usually begins in late May and lasts nearly four months in southern Finland. In the northernmost parts of Finland the so called 'polar days' last about 73 days. During those days the sun does not set at all. The warmest summer days are usually in mid-July. The warmest day ever recorded in Finland dates back as far as to 1914, when 35°C was exceeded in many places of the country. (Suikkari 2001, 96; Heino 2001). Annual rainfall ranges from about 600 mm from the north to 700 mm in the south (Ilmatieteen laitos 2002).

The growing season usually last at least 100 days (in Lapland) and at its longest, 180 days (in the south-western archipelago). Winter is usually cold and dry. In most part of the country, snow begins to fall around October and melts by the end of April. The average temperature in January is about -6 °C in Helsinki and about -14 °C in Sodankylä (Suikkari 2001, 96). (Heino 2001)

The main natural resources of Finland are timber, copper, zinc, iron ore and silver (Central Intelligence Agency 2002). Finland's mineral deposits are, however, modest in extent.

(Vartia 2001, 59). Forest resources, like forest with pine, spruce, birch and wild mammals varying from brown bears to wolves and lemmings are characteristic of Finnish nature. There are also over 300 bird species in Finland. (Brewer & Lehtipuu 1999, 23)

The Finnish environment faces the same environmental pollution problems, as other industrialized countries. The loss of habitat for wildlife is a problem in Finland, too. However, corrective action is being taken to remedy the situation and to prevent new problems.

Conclusions as to the impact on development of location, environment and climate have to be cautious. These long *durée* factors have slowly shaped and continue shaping these countries, and other factors affecting their

development. In our context, people have to take them as facts and adjust their way of life accordingly.

### 6.1.2 Historical perspective

**Zambia.** The earliest kingdoms to be formed in Africa emerged in the part of the continent that is now modern Zambia. By 1500 the region was already settled and by 1700 it had become an established empire, which had developed immigration routes, trade routes, mining, hunting, and fishing. The region was heavily influenced by missionaries in the 1800's, and David Livingstone opened up the area in 1870. (Bliss & Rigg 1985)

King Leopold II of Belgium first defined the colonial borders of the whole region in 1885. He was followed by Britain, which created protectorates in the 1890's, including Zambia. Initially Zambia was colonised and ruled by Britain from 1890 and administered by the British South-African Company as two separate entities: North-Western and North-Eastern Rhodesia. In 1911 they were combined as Northern Rhodesia, with Livingstone as the capital. In 1923 the British Colonial Office took over the administration, and in 1935 the capital was moved to Lusaka. (UNDP 1997) In 1953 and 1962 Northern Rhodesia was incorporated in the British Central African Federation of Rhodesia and Nyasaland, comprising the present Malawi, Zambia and Zimbabwe (ibid. 1997, 1999/2000).

In 1963 Northern Rhodesia attained self government, becoming independent in 1964; and adopted the name Zambia. Since independence three transformations can be identified. These are: The First Republic, 1964–72; the Second Republic of 1972–90; and the Third Republic, from 1990 to present. Political organization was based on a multi-party system, and the economic order was a mixture of private and public-sector institutions. (Hargreaves 1988; Roland 1999; Sagay & Wilson, 1980)

The colonial system discriminated against the native population, and as a result they were poorly educated and economically very weak. (Mbikusita-Lewanika 1990) Further, people were forced to unpaid manual labour by the chiefs. This forced labour was called the "corvee" system and was widely used for most government projects. (Shillington 1997, 16)

A new constitution was adopted in 1991, and Zambia was declared a Christian nation. At the same time, the chiefs were barred from actively participating in politics. (UNDP 2001b)

A review of major historical milestones would justify the conclusion that Zambia, as an independent nation, is very young and subsequently she is still in the early stages of the long and demanding path to higher HDI status.

**Thailand.** There are conflicting opinions as to the origins of the Thais. Three decades ago it could be said with presumed certainty that the Thais originated in Northwestern Szechuan in China about 4,500 years ago and later migrated down to their present homeland. However, this theory has been overturned by the discovery of remarkable prehistoric artefacts in the village of Ban Chiang in

the Nong Han District of Udon Thani Province in the Northeast of the country. These include evidence of bronze metallurgy going back 3,500 years, as well as other indications of a far more sophisticated culture than previously suspected by archaeologists. It now appears that the Thais might have originated in Thailand and later scattered to various parts of Asia, including some parts of China. (National Identity Office of Thailand 2003)

Siam is the name by which the country was known to the world until 1939 and again between 1945 and 1949. On May 11, 1949, an official proclamation changed the name of the country to "Prathet Thai", or "Thailand", by which it has since been known. The word "Thai" means "free", and therefore "Thailand" means "Land of the Free". (UNDP 1999b; National Identity Office of Thailand 2003)

The major historical periods in the country's history have been the following: The Nanchao period (650–1250 A.D.), followed by the Sukhothai period (1238 A.D.-1378), when the Thais started to emerge as a dominant force. During the following Ayutthaya Period (1350–1767), Siam initiated diplomatic and commercial relations with western countries. The following major period was called the Buri period (1767–1772), which ended at the dawn of the present ongoing period, called the Rattanakosin. (1782---) In the 1949s the country's name was changed from Siam to Thailand, and the absolute monarchy was changed to a constitutional monarchy in 1932. (UNDP 1999b; Muscat 1994)

Thailand preserved its independence throughout the colonial period, thanks in large part to a strong, centralized and paternalistic state. After the abolition of the absolute monarchy in 1932, the powerful bureaucracy has been able to maintain a degree of stability and prosperity despite the 17 coups, 53 governments and 16 constitutions the country has experienced between then and now. (Muscat 1994)

Thailand's long independence is manifested in a blend of globalisation and her Buddhist based rich and unique culture. This blend seems to be in harmony with human development goals.

**Chile.** Historically, Chile was inhabited by a variety of ancient cultures, many of them politically subject to the Incas. Native groupings included the Aymara farmers in the northern deserts, while in the south, the Diagita and Araucanian Indians lived in fishing and agricultural settlements, together with archipelagic hunters. (Encarta Encyclopedia, Chile 2003)

The first European to visit Chile was the Portuguese explorer Ferdinand Magellan in 1520. The second was Pedro de Valdivia, who led an expedition into southern Chile in 1540. At that time, most of Southern Chile was dominated by the Araucanians, the only important Native American tribe not to succumb to Spanish attack, thanks to its fighting ability. The tribes that occupied the northern portions of Chile had been subjugated during the 15th century by the Incas of Peru. (Encarta Encyclopedia, Chile 2003)

In the Spanish colonial organization, Chile was originally a dependency of the Viceroyalty of Peru and later had its own government. The country developed slowly, because it had neither silver nor gold deposits to attract the

Spanish. Moreover, it was far from the main centres of Spanish colonization in Peru, and was difficult to reach. (Hickman 1998)

In 1810 Chile, joining other Spanish colonies, broke political ties with Spain. However, warfare against Spanish troops still continued for fifteen more years. Finally, in February 1817 nationalist rebels decisively defeated the last royalist army, ending Spanish control of northern Chile. Bernardo O'Higgins, one of the revolutionary leaders, was declared supreme director. One year later he proclaimed the absolute independence of Chile. Nevertheless, royalist forces were completely expelled from the country only in 1826. (Encarta Encyclopedia Chile 2003)

From that moment, the era known as the "conservative period" began, when conservative forces and liberal forces were constantly fighting each other for power. O'Higgins ruled the country with dictatorial powers until 1823. The Liberals followed his mandate for seven years, until the Conservatives once again became the government for the following thirty years. Following this, there was no peace or stability on the Chilean political scene before the first half of the twentieth century. Fights between the two main parties culminated in the army establishing military dictatorships in 1925. (Hickman 1998)

Democracy was established in 1932 by President Arturo Alessandri who had been expelled from his office by the *coup d'état* in 1925. Democratic governments remained in power until 1973. In that year, military forces lead by Augusto Pinochet overthrew the socialist government of Salvador Allende. Pinochet immediately suspended the constitution, dissolved congress, imposed strict censorship, and banned all political parties. In addition, his regime embarked on a campaign of terror against leftist elements in the country. Thousands were arrested; many were executed, tortured or exiled; while still others languished in prison or simply disappeared. (Hickman, 1998: UNDP, 1996, 2000) Pinochet's authoritarian government lasted until 1990, and was succeeded by that of Patricio Alwyn, elected by popular vote. (CIA 2003; EIU 2003.) Pinochet was arrested only after a further eight years had passed and his court case became void when he died in 2006.

However to summarize, it may be said that, while Chile has a turbulent history, it seems that since 1990, Chilean democracy has been one of the most stable in Latin America.

**Finland.** The first evidence of habitation in Finland dates back as far as 7,300 BC, and the first ancestors of the Finns arrived in around 1500 BC. The Finns are part of the Finno-Ugric linguistic group, which includes about 20 million people world-wide. Hungarians and Estonians, for example, also belong to this group. (Vartia 2001, 13) During the Crusades, in the 12<sup>th</sup> century, Finland was annexed by Sweden. Sweden ruled Finland from the 12<sup>th</sup> to the 19<sup>th</sup> century. In 1809, as a result of the Napoleonic Wars, Sweden had to surrender Finland to Russia. Finland then became an autonomous Grand Duchy of Russia, and remained so for over one hundred years. In 1917 Finland eventually got its independence. (Eurydice Finland 2001, 11)



Finnish women became the first in Europe to gain the right to vote in national elections in 1906. In 1917, following the Independence, civil war broke out between the Whites and the Reds. The term "Reds" refer to socialists and the "Whites" to conservatives. Eventually the Whites won and Finland had non-socialist governments until 1937. In 1939 the Soviet Union attacked Finland, and what followed were the Winter War, a peace treaty, and a second war against Russia, first as a co-belligerent of Germany and later on to expel German troops from Finland. Eventually, a peace treaty was negotiated and signed, in 1945. (Eurydice Finland 2001)

From 1960s onwards Finland became an active partner in the European arena by joining EFTA in 1961, the OECD in 1969, and the EEC in 1973. Eventually, in 1995, Finland also became a full member of the EU. Finland also changed her currency, the markka, to the euro in 2000. From 1956 on, President Kekkonen ruled with a strong hand, for four six- year terms. He was followed by Mauno Koivisto and then by Martti Ahtisaari, who is well known for his peace-keeping diplomatic assignments worldwide. In 2000 Tarja Halonen became the first female Finnish president. (Eurydice Finland 2001; Vartia, 2001)

To summarize: Finland has left behind the long periods of subordinate status under Sweden and Russia; and with 90 years of independence seems to be gaining momentum in her role as a global participant in all spheres of life.

Following conclusions on impact of history on development are made. Zambia, Chile and Finland have been colonies and ruled by other foreign powers. Zambia won her independence most recently and the impact of the colonial era is gradually diminishing as it has done in Chile and Finland. All the four countries have had their fair share of changes, some of which have been more turbulent than the others. At this writing, they are peaceful independent democracies with access to same prerequisites for development.

### 6.1.3 Population and health

**Zambia.** There are 73 tribes in Zambia, all of them Bantu-speaking. However, English is the official language, due to the fairly long period of time that Zambia was under English colonial rule. (UNDP 1999/2000) Major Bantu language groups among the 80 languages that have been identified are: Bemba, Nyanja, Tonga, Lozi, Kaonde, Luvale, Lunda, Barotse, Mambwe, and Tumbuka. These ten languages are most commonly spoken, their distribution roughly corresponding to that of the various ethnic or tribal groups. The 1990 Census came up with the total population figure of 7,759,162. This figure has since then increased to close to 11 million in 2001. In 1963 the figure was only 3.5 million. 52% of the people are women. Some 1.1% of the population is of European, and 0.2 % of Asian origin. (UNDP 1997)

Major demographic characteristics are: high but declining growth rate, high but declining fertility rate, high infant and child mortality rate, decreasing life expectancy and uneven geographical distribution of the population. The population growth rate has varied between 2.5% and 3.2% over the last few decades. The density of population is approximately 12 persons per square

kilometre on average, and ranges from 3 to 4 people in rural areas to 46 in urban areas. Zambia can be considered an urbanised country. (UN 2001; UNDP 1999/2000, 2001)

The effect of AIDS on the population is huge. The UN estimated in 1997 that the population without HIV/AIDS would be anything up to 50% more than what it actually is in 2005. (UNDP 2000a, 21) Consequently, life expectancy has dropped from 63 years to 40 and below. Clearly HIV/AIDS is one of the major demographic characteristics of Zambia, and will remain so for decades to come. (Castells 2000b, 119) Other serious diseases that kill are: malaria, pneumonia, and diarrhoea.

Zambia's labour force is estimated at approximately 4.6 million people, of whom almost 80% make their living in the informal sector, mainly by subsistence farming. Formal-sector official jobs are estimated at 500,000 only. (Greig et al. 2007, 34) Migration also has a negative impact on the society. This is the result of highly educated professionals leaving the country, causing brain drain. At the same time, an estimated 250,000 refugees have arrived over the last two decades from the neighbouring war-stricken countries; putting pressure on Zambia to provide social services for them. (UNDP 1999/2000)

The present demographic profile, considering the serious health problems, much diversified ethnic mixture, and low education levels is a challenge from development point of view in Zambia.

**Thailand.** The census carried out in the year 2000 came up with a population of 60.61 million, population consisting of 49% males and 51% females. Population growth rate was at the level of 1.2%–1.3%, as the annual average between 1990 to 1999. (National Statistics Office of Thailand 2003; UNDP 1999b)

The ethnic composition is as follows: Thai (84%), Chinese (12%), Malay and minorities (4%). The official language is Thai, and English is the most widely spoken second language. (UNDP 1999b) The population density of the whole kingdom for the year 2000 was 118.1 persons per square kilometre. Life expectancy at birth in the year 2000 was 69 years. (WB 2000/2001)

The most taxing diseases have been diarrhoea, pneumonia, haemorrhagic conjunctivitis, and HIV/AIDS. The epidemic of HIV/AIDS in Thailand has become very serious. (www. ministry of public health.th) WHO (2000) estimates that close to 2% of the entire population are infected, which translates to over one million patients. However, according to UNDP (2003, 98) Thailand's response to the epidemic is one of the few success stories globally.

Thailand's labour force was estimated to be 33.4 million people in 2001; and the unemployment rate, 3.9% (Board of Investment of Thailand 2003). Chinese immigration has been encouraged, and this has contributed significantly to the development process. (Muscat, 45) There is a very low rate of unionization in Thailand at only 2–5% of the workforce. Civil servants are not allowed to become members of unions. The unions have very little real influence. (UNDP 1999b; National Statistics Office of Thailand 2003)

**Chile.** The Chilean people descend from a mixture of the Spaniards with indigenous groups. Today, ten percent of Chileans over the age of 14 consider themselves as part of an indigenous culture (EIU 2003; Chile at a glance 2003: UNDP; 1996). The population is about 15.3 million people, with a density of 19 inhabitants per square kilometre. 85% of this population live in urban regions. Therefore, Chile can be considered to be an urbanised country. Ethnic groups include: Mestizo 66%, European 22%, native American 7%. The biggest indigenous groups are: Aymara, Atacamenos, Mapuche, Rapanui, Kawaskhar, and Yaga. The official language is Spanish, which is called Castellano in Chile. (EIU 2003)

The annual average population growth is 1.6%. Such slow growth means that Chile's demographic dynamic is similar to that of industrialized OECD countries. The reason for this might be related to improved health conditions, the migratory movements, and improvement in the economy. (UNDP 2000b)

Health conditions in Chile are advancing year by year. Mortality indicators show decreases in the period 1990-1998, especially with regard to childhood mortality. For the year 1990 the average rate of childhood mortality stood at 16%; in 1998 it was 11% and nowadays it is 7% approximately. Life expectancy is 75 years, for both men and women. About 3% of the population is affected by HIV/AIDS, and its impact is devastating in Chile, as anywhere else, where it has spread (UNDP 2000b, 2002). However, there is a severe shortage of doctors, and the so-called two-track health care system creates problems in the form of inequality (WB 2006). The WB defines a "two track" health care system as one in which privately-run services for the well-off population exist side by side with a state-run public health system for the majority of the ordinary middle-class people and the poor.

The labour force is approximately 6, 2 million people. The female share in this has increased over the last decades to the present level of 38%. (CIA 2005; WB 2005) It seems that the demographic situation is favourable for development.

**Finland.** By the end of March 2002 Finland had a population of 5, 196, 200 (Tilastokeskus 2002a, 3). It is estimated that the population of Finland will be 5, 290, and 563 in 2030 (Tilastokeskus 2001a, 10-11). In 1950 it was about 4 030 000 (Tilastokeskus 2002b). In 2000 Finnish citizens made up over 98 per cent of the population (Tilastokeskus 2001b, 6-7). People from 158 different nationality groups were living in Finland then. Most of the foreigners come from the former Soviet Union/Russia, but there are also Estonians, Swedes, Somalis and Yugoslavians.

About 300, 000 Swedish-speaking Finns (Finlandsvensk) and about 6500 Sami people in Lapland contribute the main minority groups in Finland (Brewer & Lehtipuu 1999, 13, 25). The official languages of Finland are Finnish and Swedish. In 2001, 92.3 per cent of the population spoke Finnish, 5.6 per cent Swedish, 0.6 per cent Russian, 0.03 per cent Lappish and 1.5 per cent other languages. (Tilastokeskus 2002b) In order to manage on the global arena, Finns

have to learn at least one international language since Finnish is hardly understood anywhere else.

The average population density was 15.3 inhabitants per km<sup>2</sup> in Finland in 2001 (Tilastokeskus 2002c). It can, however, range from 2 inhabitants per km<sup>2</sup> in Lapland to 205 inhabitants per km<sup>2</sup> in Uusimaa (Suikkari 2001, 96). The major part of the population lives in the south of the country, particularly in the Helsinki area. About 64 per cent of the population lives in densely populated areas, i.e. urban areas. (Eurydice Finland 2001, 13). The immigration rate is 3.7‰ (net immigration 1.1‰) and emigration 2.5‰ (Tilastokeskus 2002b).

Population increase is low in Finland, with a rate of 0.7‰ in 2001. (Tilastokeskus 2001a, 24–25; Tilastokeskus 2002b) The Finnish population is aging. The number of people aged 65 or over will increase by over 40 percent during the next two decades (Aromaa, Koskinen & Huttunen 1999, 19). This will explain the increased demand for additional resources, such as money and services, for elderly. The number of retired people will increase significantly by the end of the decade (European Economy 2001, 170). Life expectancy at birth was 74.6 for males and 81.5 for females in 2001. In 1985 those figures were 70.1 and 78.5 respectively. (Tilastokeskus 2002b.) The sex ratio at birth is 1.03 male(s)/female. The ratio is 0.63 male(s)/female for people of 65 years or more. (Central Intelligence Agency 2002)

Thanks to the comprehensive immunization coverage, many infectious diseases, like diphtheria, tetanus, and polio, have been contained or eradicated in Finland. The incidence of HIV infections in Finland is not high compared with many other countries (Aromaa, Koskinen & Huttunen 1999, 117). The estimated number of people living with HIV/AIDS was 1100 in 1999. In other words, the prevalence rate of HIV/AIDS was 0.005 %. (CIA 2002)

Nowadays Finnish people struggle with the diseases of modern society. In 2000 the most common causes of death were cardiovascular diseases and tumors (Tilastokeskus 2002d). Diabetes, mental health problems, musculoskeletal diseases, allergies and asthma are also considered to be public health problems. Health status and social status are closely associated. The higher the social status, the better the health usually is (Aromaa, Koskinen & Huttunen 1999).

Finnish children can be considered healthy. The infant mortality rate is one of the lowest in the world at about 4‰, and the mortality rate for children aged 1–4 is also very low. Many young Finnish people, on the other hand, are nowadays struggling with the problems of excessive alcohol consumption and drug abuse (Aromaa, Koskinen & Huttunen 1999, 238, 263).

People have met the challenge of the cold climate and somewhat distant location with good governance, education, and industriousness; These factors have made Finns achievers and these are the major contributing factors to improvements in human development.

Conclusions on the impact of population and health on development and a brief summary is given below.

TABLE 3 Population densities in the countries being studied.

Country	Population density. No. people/sq.km
LHDCIs	52
Zambia	13
Thailand	121
Chile	20
Finland	17

Source: WB, World Development report, 2000/2001.

Population growth rates correspond with Human Development indices in reverse order. (See Chapter 6.5, pictures 7.1, 7.2.) Same applies to HIV/AIDS prevalence compared with the HDI. Ethnicity in it's somewhat negative form, tribalism, is strongest in Zambia while nearly negligible in Thailand, Chile and Finland.

#### 6.1.4 Culture, Social life and Religion

**Zambia.** The culture is male dominated, patrilineal or patriarchal, with a preference for male heirs. Each ethnic group has traditional chiefs and headmen as rulers, who act as custodians of their culture and land. The different tribes live in peaceful co-existence, and Zambia does not have any record of ethnic violence or unrest. Traditional culture lays emphasis on the morality of the community, and all human interaction is carried out in ways prescribed by ethically-based patterns and models; something which can be observed in tribal group ceremonies. In some areas, however, matrilinealism dominates; and this domination is based on the strong belief that it is only the mother who knows who the father(s) of her children are. This in turn has an impact on inheritance rules and problem-solving in communities. (Gould 1997; UN 2001)

Due to the lack of nationwide social security systems, or "safety nets" as the modern term goes, the so-called "extended family" system is still in place and functioning. In this system the breadwinners of the family assist economically those who are not fortunate enough to have jobs or who, for other reasons like health or old age, need assistance. (Mhone,2004,315; UN 2001) This extended family system has traditionally been the source of social protection all over the world; but gradually it has ceased to exist, following the establishment social security services in the industrialised countries. In Zambia this is a central feature of the culture and a basic value of the people. Breadwinners do not usually contest their obligations, since this would not be accepted and at worst, could lead to stigma and exclusion from the family. (Gould 1997; UN 2001)

The traditional arts of Zambia include basket weaving, mat-making, woodwork, ivory and iron work and pottery, to mention a few. Traditional dances are also a common occurrence. Zambians are generally good at oral narratives and at recounting stories, proverbs and folklore. (Hargreaves 1988)

Christianity arrived in Zambia in the 19<sup>th</sup> century, bought by missionaries. While it is well established in the country, other religions and traditional beliefs

and customs continue to exist by its side. At present, 75–85% of the population belong to Christian churches. The biggest of these are the Catholic and Anglican churches. Muslims and Hindus each form subgroups of about 5% of the population. The rest of the population are either atheists, or believers in traditional cults and religions. The Missionaries also brought with them education and medical care. Further, they deserve the credit for documenting local languages in written form. (Sagay & Wilson, 1980; UN 2001) Unfortunately, some cults discourage education and medical care; sometimes with serious consequences for development. In these communities, superstitions, and taboos and witchcraft are also prevalent and regulate behaviour. Above all there is a strong belief in an almighty God. (Hargreaves 1988; UNDP 2001b)

While Zambia is a country of great diversity it is notable that the diversity has not given rise to friction or strife. People live in peaceful coexistence under the motto, “One Zambia, One Nation”. (UNDP 1999/2000) Burnell (2001, 144) agrees with this view; writing that “tribalism” does not seem to be a major threat. However, there are opposing views. Easterly (2002, 276, 279) considers polarized tribal and class hatred to be a bottleneck that hinders development in Zambia.

The contradiction noted above, between what meets the eye and what is deeply grounded in the society, seems serious, and probably needs to be solved in the long run to better support development work.

**Thailand.** Buddhism, the national religion, is the dominant form of religion with 95 per cent of the population practicing it. The other religions are Islam 3.8%; Christianity, 0.5%; Hinduism, 0.1%; and others 0.6%. (UNDP 1999b; Goman 2000)

The so called “Sakdina” system ranked every citizen with dignity marks on a scale from 1 to 5, thus imposing rank-related limits on the behaviour of everyone. The corvee slavery system was also in use for centuries, just as in many other countries in the past. However, these two features of the Thai society of the past had been abolished by the beginning of the 20<sup>th</sup> century. (Muscat 1994, 20–21; WB 2000/2001; WB 2002a)

Patriarchalism, which used to be a characteristic feature of the Thai way of life, is declining. This is a result of improved government-sponsored safety nets, and of globalization. (Castells 1997, 141–142)

The official national language, spoken by almost 100 per cent of the population, is Thai, classified by linguists as belonging to a Chinese-Thai branch of the Sino-Tibetan family. It is a tonal monosyllabic language. Most polysyllabic words in the vocabulary have been borrowed, mainly from Khmer, Pali or Sanskrit. Dialects are spoken in rural areas. The other principal languages are Chinese and Malay. English, a mandatory subject in public schools, is widely spoken and understood, particularly in Bangkok and other major cities. (Goman 2000)

The Thais have their own culture, (which includes a considerable literature, together with drama, architecture, music, painting, sculpture, folk dances, and many handicrafts); their own language; their own cuisine; their own martial arts, and their own beliefs. Though various Indian and Chinese cultural traits have

had a degree of influence on many aspects of Thai culture, it is the mixture of these and Thai eclecticism that has, over the centuries, developed the idiosyncratic culture that is unique to Thailand. According to Goman (2000, 10), the term MUANG best describes the Thai way of doing teamwork and socializing. The term is defined as the core of a village or a larger community and the dimension of joining forces in the community institution. Traditional Thai crafts were grouped into 10 categories: namely, drawing, sculpting, carving, engraving, moulding, turning, modelling, lacquering, metal beating, and plastering. Classical Thai dance performances are largely based on the portrayal of traditional and religious rituals, stories and myths. (Goman, 2000)

To summarize: with a mind open to globalization, and in a condition of obvious harmony with Thailand's own unique way of life, the national culture is reflected in all development work that Thais undertake.

**Chile.** Chilean ethnicity and culture are based on a mixture of that of the Spaniards and that of the various indigenous groups, with the added influence of the Catholic religion introduced by missionaries. Most of the original indigenous groups have died out, except for the Aymara (presently close to 90,000) and Atacameño (around 10,000) in the north; the Mapuche (around a million) in the south-central zone; and the Rapanui (3,500), and some Kawaskhar and Yagans on the islands of the extreme south. The customs and cultural heritage of these groups are protected by the Indigenous law, which recognizes the unique character of these people and their right to live according to their own customs and cultural patterns. The law has also permitted the establishment and protection of the boundaries of their lands. (Hickman 1998; Martinez & Diaz 1996; UNDP 1996, 2000, 2002; Baytelman, Cowan & De Gregorio 1999)

Today's Chilean culture differs considerably from that of the country's earlier inhabitant's folk culture. In the 19th century, strong influences from different parts of Europe, particularly France; were added and are reflected in Chilean architecture. Recently, the influence of the United States has been on the increase, especially among the younger generations. This trend is a result of globalization. (Hickman 1998; Martinez & Diaz 1996; Baytelman, Cowan & De Gregorio 1999)

Over the past few years, government and private enterprise have worked together to promote the development of the arts, support projects, make more room for culture and new ideas, stimulate diverse forms of expression and cultural dissemination, and introduce innovative financing methods. The main goal of this "cultural explosion" is to overcome the cultural deficit accumulated under the former military government. The new focus is on cultural dissemination, citizen participation and conservation of the traditions and heritage. (UNDP 2002; Hickman 1998; Martinez & Diaz 1996)

Two thirds of the population declare themselves to be Roman Catholic, while 13% are Evangelist or Protestant, 7% atheists and about 4% Jewish, Muslims and Orthodox (Hickman, 1998; Martinez & Diaz 1996; UNDP, 2000, 2004). Wolf (2004, 326) quotes Talavera (2002, 273), who states: "The

relationship between Christian life and economic success is central." This statement makes a new contribution to the dialogue on the relationship between religion and development. Weber's thinking (1965) followed the same lines in his in-depth research work.

More than half of the population is female, with women's career orientation being on the increase. Chilean women generally marry around the age of 26, and on average, they give birth to fewer than three children. 28 percent of the country's households are sustained by a woman. Various government support programs are conducted through the national women's service, which was created in 1991 and whose director has ministerial rank. (UNDP, 1996, 2000)

Hickman (1998, 232-233) claims that Chileans are more northern in spirit than Latin. They are like Europeans, except when it comes to the work ethic. They do not measure happiness with a material yardstick. They say: "None of us can live on the GDP". Chileans have a tendency towards scepticism and intellectual speculation; and they are happy and agreeable world citizens.

**Finland.** The Finnish way of life has changed markedly since the Second World War. Urbanization, internationalization, and improved quality of life are the major changes to have taken place. Finland has become a modern international country with a varied cultural life. Its culture has been influenced by both East and West. In cities, and villages alike, Finnish people engage in cultural activities like concerts, theatres, festivals, music and sports. Many other cultural activities are easily available in Finland. (Alestalo 1999, 229-231)

The Finnish people have tried to maintain their own cultural traditions. This holds true especially in the case of the countryside, littoral districts, and archipelagos. Agriculture, fishing, and hunting can still be experienced in some parts of Finland. It is common to have a summer cottage in the countryside at the lakeside as a "hiding place" from the hectic urban working life. The impact of various different lifestyles is manifested in the architecture, nutrition, style of dress and behaviour typical of different areas and people. (Korhonen 1999, 91-94) The Finnish constitution states that everyone has the right to live according to the preferences of their own particular culture.

Finland's location between Sweden and Russia explain why it has received Christian influences from both east and west. By the beginning of the 14<sup>th</sup> century, the major part of Finland was, as regards its religion, under the control of the Roman Catholic Church. King Gustavus Vasa of Sweden adopted the Lutheran faith in 1527, and Lutheranism became the State religion of Sweden in 1593. Mikael Agricola, the first Lutheran Bishop of Finland, translated the New Testament into Finnish in 1539.

In 1809 Finland became a Grand Duchy of Russia. Despite the Orthodox influences of the east, the Lutheran church remained the State church. Until the end of the 19<sup>th</sup> century people were obliged to belong either to the Lutheran or to the Orthodox Church. In 1889 membership of other Protestant Churches was also made possible and official (The Act of Nonconformity). Freedom of religion came into force in 1923. (Kääriäinen 2002) Even though many people are not



active churchgoers, Christianity has an important role in many people's daily lives, and has been one of the cornerstones of the Finnish system of values. (Pesonen & Riihinen 2002, 24) Religiousness is somehow considered as a private matter in Finland. (Kääriäinen 2002) Nowadays, 85.3% of the Finnish population belong to the Finnish evangelical Lutheran Church, and about 1.1% to the Orthodox Church. The evangelical Lutheran Church and the Orthodox Church have special statuses and rights, like the right to receive revenue from taxation in Finland. (Eurydice Finland 2001, 13)

Finns have organized an effective official welfare system to take care of the elderly people and those who for some reason cannot take care of themselves. This frees Finns from social family obligations, enabling people to devote themselves to their work and individual cultural activities, which are arenas where Finns are achievers.

As conclusions of the impact of culture, social life and religion on development, number of languages spoken increase in reverse order with Human Development index in Zambia, Thailand, Chile and Finland. May be this reinforces the impact of tribalism as discussed in the previous chapter. Further, changes from societal, mutual care-taking to welfare type of social policy seem to have had a positive impact on HDI. This impact seems to be a result of "forced" saving.

To conclude this tour of auxiliary development factors, below there are a few highlights about aid, globalization and communication in the four case study countries.

International aid, as discussed in 4.16. has seemingly helped Finland, Chile and Thailand in their economic growth. Finland was receiving assistance still in the 1950s and 1960s and seems to have used it well, since a complete turnaround has taken place. Finland has been able to change to the "other side of the table" and is today one of the big donors both bi- and multilaterally. Chile and Thailand still receive some minimal official development assistance. Chile's capital inflows come in the form of credits, loans and private sector direct investments. Chile is no longer a recipient of grant aid support. Thailand's inflow of technical assistance is steadily declining and is only about 1% of the GNP. (See appendix 2.) Zambia continues to receive considerable amounts of aid and is still dependent on assistance. In addition to new funds she has qualified for debt forgiveness; but due to rent-seeking and fungibility has not benefited enough to make a difference to its HDI score. This applies to most of the LHDICs.

Globalization has, with its full force sucked in Zambia, Thailand, Chile and Finland. Considering advancing technology and the accelerating speed of all dimensions of the process, it seems fair to say that all the four countries can benefit from globalization. Economic trade related subsidies and protectionist tools applied globally represent a challenge, and mostly to the economically weakest country, Zambia.

Communication as discussed in 4.1.7 is also a bigger challenge for Zambia than to Thailand, Chile and Finland. This is due to less technological tools related to communication but even more due to the fact that the gaps between

the communication circles, as introduced, (academics, politicians, NGO people, business people, ordinary working people, and marginalized poor) are much bigger than in the three other countries. This is a result of tribalism and bigger inequality as such.

In summary, long *durée* factors have to be taken as they are. The auxiliary factors, in spite of been called auxiliary in this context, are not to be undermined. On the contrary, they are very important indeed. However, I want to proceed to the main question of the study, the importance of the “pillar” factors, governance, property rights, education, economy in Zambia, Thailand, Chile and Finland.

## **6.2 Comparison of four basic factors for development by country**

### **6.2.1 Governance, The State, Politics, Administration, Legislation**

**Zambia.** As noted in the earlier chapters of this study, governance seems to be one of the most important factors affecting development. This section tries to find possible links between Zambia’s LHDI status and its governance.

The Government has three branches: The executive, with the President as Chief Executive; the Legislature, i.e. the Parliament; and the Judiciary. In the provinces the President appoints Deputy Ministers as political heads and his representatives. They are supported by provincial permanent secretaries. Further, there are District Administrators supporting the provincial deputies, and permanent secretaries. (UNDP 1997)

Legislation is vested in a unicameral National Assembly or Parliament, consisting of the Head of State, the Speaker of the National Assembly, 150 elected members, and ten members nominated by the Head of State. Statutory instruments constitute a major part of the regulatory framework. Statutory instruments have immediate effect, but have to be gazetted within 28 days. (UN 2001)

The judiciary consists of the Supreme Court, the High Court, and the Subordinate Courts. Judges are appointed by the President subject to ratification by the National Assembly. There is a dual legal system, in which both statutory and customary laws apply. Dualism means that any international treaty becomes operative only after it has been “domesticated”, which means it has to pass through the parliament and be approved. (UN 2001)

Zambia is divided into nine provinces and further into districts, which total 72 in all. Local authorities play an important role in the development process. The system comprises popularly-elected councils. However, the Minister has the power to suspend councils and appoint administrators to perform their functions. At Independence, only 4% of civil servants were Africans, but the ratio has reversed since then. (UN 2001; UNDP 1997, 1999/2000)

In 1963 Zambia attained self-government, becoming independent in 1964. Since Independence three transformations can be identified. These are: the First Republic of 1964–72, the Second Republic of 1972–90, and the Third Republic from 1990 to the present day. Political organization was originally based on a multi-party system, and economic order was a mixture of private and public sector institutions. However, in 1972 Zambia became a one-party country with UNIP, the United National Independence Party, as the ruling party. This led the country to socialism, with only one party allowed by law; the State assuming the leading role through its parastatal companies and central planning, and with the president invested with all the decision-making powers. (UN 2001; UNDP 1997, 1999/2000)

Under the Second Republic, even schools and hospitals were taken over by the government; and education and health services were made free to all citizens. However, due to serious miscalculations, the Government could not afford to maintain these free services for long. Private Service providers in these two important sectors were, and are, very few; and too expensive for ordinary citizens to be able to afford. Even the parastatal companies soon started to require subsidies instead of being able to boost government coffers; making the situation even worse. (ODI 2000; UNDP 1999/2000)

The situation deteriorated further over the years, until the Movement for Multiparty Democracy, MMD, emerged, and in 1990 managed to repeal the relevant article in the constitution forbidding other political parties. Global developments probably helped the process to take place. In 1991 the MMD challenged the government in a national election, and won by a big margin. Zambia had returned to multi-party politics, privatisation, and liberal economic policies. (UNDP 1997)

Zambia is a member of several international bodies, including the UN, OAU, SADC, PTA, Lome Convention, and WB. Zambia's Human Rights Legal Framework consists of Universal instruments that include six human rights conventions and seven International Labour Organization conventions. Zambia is a signatory to regional instruments, as well, such as the African Charter on Human Rights and the African Charter on the Rights and Welfare of the child; and National instruments, of which the main one is the Constitution.

The Governance Development Unit in the ministry of Legal Affairs was established to provide continuity for this process. (UNDP 2005) Zambia is home to the COMESA Secretariat, which aims at establishing a completely free trade area. However, its role seems to be diminishing, partly due to the new African Union which was launched in Lusaka in July 2001. The African Union seems to have taken the European Union as its model.

**Thailand.** Thailand is a constitutional monarchy. The sovereign power belongs to the people, whereas the king is the supreme Head of State, exercising powers through the National Assembly, the Cabinet, and the Courts. The government has three branches: the Executive Branch headed by the Prime Minister, the Legislative Branch and the Judiciary. (Muscat 1994)

In Thailand, the king is the head of state, while the prime minister is the leader of the government. As head of state, the King has the authority to exercise sovereign power through the National Assembly, the Council of Ministers, and the Courts. The Prime Minister functions in the name of the King, and is responsible for all royal commands regarding the affairs of the state. The prime minister appoints the cabinet members. According to the Constitution, neither the prime minister, nor any member of the cabinet may not at the same time be members of the House or the Senate. Neither can they be permanent government officials at the time of their appointment to the cabinet. There are 15 ministries and 36 cabinet members. (Prd.go.th 2003)

Legislative power is vested in the Parliament, and exercised through a bicameral National Assembly consisting of the publicly elected House of Representatives and the Senate. Parliament currently consists of 500 members of the House of Representatives (400 directly elected members and 100 from Party lists) and 200 elected members of the Senate. The Parliament must approve all legislative matters of national policy, which then require the King's signature before Taking effect. The Constitution is the highest law of the land. (Prd.go.th 2003)

The Judicial Branch, the Courts, is divided into three levels: the Primary Courts of the First Instance, the Appeals Court, and the Supreme Court. In addition, there are such special courts as the Central Labor Court, the Central Intellectual Property Court, and the International Trade Court. Apart from those, the 1997 Constitution introduced important new courts: The Administrative Court and the Constitutional Court, in order to protect and guarantee people's rights. (Prd.go.th 2003)

The system of administration is centralized, but divided into regional and provincial administrations. Provincial administration is the responsibility of the Interior Ministry, which appoints a governor for each of Thailand's 75 provinces. Regional administration has its own regional electoral system, governed by the administrative bodies. (Muscat, 1994)

The 1997 Constitution, was intended to promote a change from representative democracy to participatory democracy. This can be seen in the establishment of independent commissions, such as the Election Commission, the Administrative Court, and the Ombudsman. The power of the people is recognized. The 1997 Constitution therefore makes it clear that sovereign power belongs to the people and only the people may legitimately use this power. (WB 2002a, 108–109)

The new constitution attracted a lot of international interest because it is considered very advanced. (The Economist 2.3. 2002, 3–16) It is particularly advanced in the sense that it gives high priority to participation and includes checking mechanisms that make governance transparent, and people with power very much accountable. According to the Constitution, the Prime Minister must be a natural-born citizen, at least thirty-five years old, and have graduated with at least a bachelor's degree or equivalent. (Prd.go.th 2003)

Thai constitutions used to represent the realities of power relations, rather than be the source of political legitimacy. Over the past decades the Prime

Minister's personal power has steadily increased, largely because of the Thai tendency to express their concerns to the highest-ranking authority, in the nation as well as the family. This frequently results in provincial delegations appearing at Government House to request decisions on local problems. In 2007 further improvements were made to the Constitution.

Thailand is a member of several international organizations, including APEC, ASEAN, ESCAP, FAO, IAEA, ILO, IMF, IMO, ITU, OSCE, UN, UNCTAD, UNESCO, UNHCR, UNIDO, WHO, WIPO, WTO and the WB. The list is not necessarily complete, but gives an indication of how active Thailand is with regard to global institutions and activities. The Economic and Social Council, Asia, Pacific region (ESCAP) headquarters is situated in Bangkok, the capital of Thailand. The Mekong River Commission Secretariat also had its HQ there from the 1950s up until 1998.

There have been 18 military coups (the two last ones in 2006 and 1991) since the absolute monarchy was abolished in 1932. However, power has usually changed hands peacefully. (Muscat 1994)

To summarize, Todaro (1997, 565) considers the Thai governance as authoritarian. According to Muscat (1994, 4) Thailand was and still is a "soft" state. In spite of frequent military coups and subsequent authoritarian rule, "softness" is manifested in free and "soft" implementation of rules and regulations relating to the economy. With regard to governance, "soft" is not the opposite of authoritarian, since authority can be selective. Easterly (2002, 119) takes a balanced view, and considers governance in Thailand to be good.

**Chile.** According to the Constitution, Chile is a unitary and democratic republic, led by the President. The franchise is universal, and citizens at 18 years become eligible to vote for the President as well as for Senators and Deputies. The government has three branches: the Executive, the Legislative and the Judiciary. (UNDP 1996, 2000)

The President is in charge of the executive branch, and he chooses his own ministers for the cabinet. The socialist President Lagos was elected in 2000. He belongs to the "Concertación por la Democracia", an alliance of four parties: the Christian-Democrat Party, the Party for Democracy, the Socialist Party and the Radical Social-Democrat Party. Lagos was the third democratic president following the Pinochet period. The previous two presidents also belonged to the same alliance. Lagos was succeeded by Ms. Bachelet in 2006. Apart from governing, the President is the Chief of the Army. The Senate chamber has a composition of 38 senators, chosen by popular election every eight years. The chamber is renewable by halves, half the seats coming up for election every four years; and every senator can be re-elected an indefinite number of times. There are also 9 *assigned senators*: three of them elected by the President, two by the Supreme Court, and four by the National Security Council. Finally, there are other *Life Senators*: all the ex-presidents who have held the Presidential office for six years. General Augusto Pinochet was suspended by the Supreme Court. The Chamber of Deputies is composed of 120 members elected every four years,

and its members can be re-elected indefinitely. (Gobierno de Chile 2003; Hickman 1998; Martinez & Diaz 1996)

The legislative branch is the National Congress, situated in Valparaiso City. It is divided into two chambers: the Senate Chamber and the Deputy Chamber. These can stipulate laws in co-operation with the executive branch, and they have supervisory functions. (Gobierno de Chile 2003)

The judiciary branch is responsible for the administration of justice. It works completely independently of the other two State branches. The superior tribunal is the Supreme Court. It is composed of 20 members, one of whom is directly chosen by the President of the Republic every three years. There are also appeals courts, civil, and military courts. Other autonomous institutions are the National Security Council, the Constitutional Tribunal, and the General Controller of the Republic, the Defence State Council and the Central Bank. The Ministry of Defence controls the Armed forces and the police. (Gobierno de Chile 2003; Hickman 1998; Martinez & Diaz 1996)

The country is composed of 13 Regions managed by Intendentes, 51 Provinces governed by Gobernadores, and 341 Municipalities governed by Alcaldes. The President elects the Intendentes and the Gobernadores, while the alcaldes are elected by popular vote. (Gobierno de Chile 2003)

During Frei's presidency in the 1960s (Hickman 1998, 88) his Christian Democrat principles brought relief to many poor people, but eventually resulted in polarized political situation and the victory of the Socialist Salvador Allende. Land expropriation continued during Allende's regime, and at times it was carried out by force; adding to the pressure which led to the subsequent coup in 1973. According to Hickman, the coup was internally orchestrated; contrary to the common belief that it was organized by the USA. (Hickman 1998; Martinez & Diaz 1996; Scully 1998)

The 1980 constitution separated the Presidency and the military junta, provided for Presidential elections, and re-established a bicameral legislature and the governing institutions described above (Hickman 1998; Martinez & Diaz 1996). Congress was designed to be weak. It had little power to control the executive, which submitted only the information it deemed fit. In addition, the bicameral legislature was constitutionally barred from initiating legislation on items requiring budgetary appropriations. The Senate was intended to be a revising chamber, less political than the Chamber of Deputies. The constitution was designed to maintain a supervisory role for the armed forces for an indefinite period, by making it virtually impossible to modify the rules. This was achieved by means of three interlocking mechanisms: the high proportion of "institutional" (un-elected) senators; the need for very large legislative majorities before any reform of the constitution could be made; and a binominal electoral system; making it extremely hard for any coalition to secure a significant majority in the Senate. (Hickman 1998; Martinez & Diaz 1996; Halperin 1986).

After the popular election in 1989, which was supported by the modification of the 1980's National Constitution, presidents are elected by majority vote for six years. Democracy re-emerged, not as a result of the preceding economic liberalization and development, but mainly due to the long

historic tradition of democracy in Chile. (Martinez & Diaz 1996, 3) Sen agrees with this view; stating that even during Pinochet's regime many social programs were aimed at reducing pressure from the opposition; which thus had considerable informal influence (Sen 1999, 156).

Even though there existed great expectations that the legacy of Pinochet would be purged from the new Chilean society, in real terms not much has been done. Considerable powers granted to the President and Chief Commandant of the army is still in force. In that capacity, General Pinochet assumed the status of a Life Senator. (Hickman 1998; Martinez & Diaz 1996)

Patricio Alwyn, who held the office of the President during the period of transition from military rule, created a special commission to investigate the human rights violations of the Pinochet era. But in the end, the government decided not to punish such crimes; but at least the relatives of the victims have been partly compensated. Pinochet was arrested in 1998 by the British police during a trip in London, due to an extradition judgement in Chile. The local court finally decided to terminate his Life Senator status. The Judiciary started to act independently, and the system gained international credibility again. (Gobierno de Chile 2003).

Democratic-decentralisation is high on the agenda for improvements in governance and as a way to promote regional participation and efficiency. This movement holds that human development should be promoted by direct action from the people and institutions of different regions in the country, not just by the government or by centralised agencies. There seems to be a need to modernise, and to increase competitiveness and regional participation as the principal means to achieve regional integration in the development process. (UNDP 2000b; WB 2005)

It is of great importance for the governance of Chile, that the Congress has approved a new constitution. This deletes the perpetuated grip of the armed forces on political power. The public sector is generally honest and efficient. Chile is the least corrupt country in Latin America, and its standards on this score are better than those of many European countries. (Transparency International 2003; Hickman 1998)

**Finland.** When Finland became an autonomous grand duchy of Russia in 1809, its own central administration was established. In the beginning the Grand Duchy was governed by the Governing Council, later called the Imperial Finnish Senate. After the country gained its independence, government ministries were formed by the end of 1918. (Government 2002) The first President, Kaarlo Juho Ståhlberg, was elected in 1919 (Vartia 2001, 110).

Before the new Constitution came into being in 2000, the President had exceptionally wide powers in Finland. Since Independence, Finnish people had supported the Republican movement rather than monarchist movement (Meincke 1998, 31). In March 2000 the new Constitution of Finland took effect, and Tarja Halonen (a Social Democrat) was inaugurated as president of the Republic for the next six years, and then re-elected for a second term. According to the new Constitution, the power of the presidency is more symbolic than was

formerly the case, and does not involve much active decision-making (Vartia 2001, 95). The President takes care of Finnish foreign policy in cooperation with the Government. He or she also appoints the Ministers of the Government, introduces government Bills to the Parliament, ratifies or defers the laws, issues decrees, and may work as commander-in-chief of the defence forces. (The Constitution of Finland 2000; Eurydice Finland 2001, 11-12)

The unicameral Parliament, or Eduskunta, with 200 representatives, has the highest legislative power in Finland. It also decides on the State budget, supervises Government actions, and controls administration. Parliament serves four-year terms. (Eurydice Finland 2001, 11.) Its members are elected by popular vote on a proportional basis. The major parties represented there are the Social Democratic Party, the Center Party, the National Coalition Party, the Leftist Alliance, the Swedish People's Party and the Green Union, which together form the government coalition. (CIA, 2002)

The Government takes care of the preparation of legislation and makes decisions specifying statutes. The Government is obliged to enjoy the confidence of the parliament (The Constitution of Finland 2000; Eurydice Finland 2001, 11-12) The Government is composed of Ministries, each of which is headed by a Minister. In Finland there are 13 ministries, headed by the Prime Minister and the respective ministers. (Government 2002) The Parliament elects the Prime Minister, who is then appointed to the office by the President. The Prime Minister coordinates the activities of the Government, and chairs the plenary meetings of the Government. (The Constitution of Finland, 2000) At present, Matti Vanhanen is the Prime Minister, serving his second term in 2007. In addition to the Prime Minister, the President also appoints the other ministers, who are proposed by the Prime Minister. (Government 2002)

The Finnish administrative system functions under the authority of the executive and legislative bodies. It consists of central administrative units, intermediate-level administrative units, and local administrative units. "Central administration" means the ministerial administrative system and the Central Administrative Board, which functions under the ministries. The Intermediate level administration, on the other hand, works under the central administration. The Provincial State Offices are responsible for administrative affairs at this level. There are 6 provinces in Finland, one of which (Åland) is self-governing. The Legislative Assembly takes care of the provincial administration.

Local administration works at the municipal level, and municipalities have considerable space for administering taxation and granting privileges. (Eurydice Finland 2001, 12)

There are 448 municipalities in Finland. The residents elect their representatives to the municipal council, the highest power in the municipality. The municipal executive board and certain other bodies have executive and administrative authority. However, due to financial constraints, municipal administration reform has been initiated, which may result in a drastic reduction in the number of municipalities.

The Judiciary in Finland is independent, and the courts are permanent. (Pesonen & Riihinen 2002, 203) The main courts of law in Finland are the



Supreme Court, the Courts of Appeal and the District Courts. The main courts of administrative law, on the other hand, are the Supreme Administrative Court and the regional Administrative courts. The Supreme Court takes care of civil, commercial and criminal matters, and the Supreme Administrative Court of administrative matters. The highest courts have their own administrative fields of competence. They can propose the initiation of legislative action to the Government. The President of the Court and the requisite number of Justices form both the Supreme Court and the Supreme Administrative Court. The President of the Republic appoints judges. (The Constitution of Finland 2000)

In 1995 Finland joined the EU. This changed its political, administrative and legislative system. Finland participates in EU decision-making, and is also obliged to abide by the decisions made in the EU. Many decisions of the EU require new legislation in Finland. EU regulations come into force immediately after they have been published, and the directives of the EU, immediately after their consideration at national level. Finland has representatives in various EU organizations. (The Parliament of Finland – EU secretariat 2002)

The Finnish Government's human rights policy is based on the Universal Declaration of Human Rights (adopted in 1948), the various international conventions on human rights, and their implementation in practice. The special areas of emphasis of the Finnish human rights policy are the rights of women, children, minorities and indigenous people. The Finnish Government supports the promotion of human rights in the European Union and UN. The country has received wide international recognition for its work. (Tuomioja 2001, 10–13, 53)

It is fair to say that Finland is a democratic country with good governance. Due to the addition of certain amount of some duplication of EU administration, the governance is somewhat bureaucratic; and further improvements may possibly consist of streamlining procedures rather than adding more rules and processes. Communication and cooperation between interest groups is greatly facilitated by the free “watchdog” media. (Pesonen & Riihinen 2002, 117) These positive features of Finnish public life have greatly contributed to the improved human development.

To conclude on impact of governance on development, the institutional frame is in place in all the four countries. Therefore, the likely reason for the lack of good governance is probably that civil servants are not performing well, for two major reasons. Firstly, poverty increases the incidence of corruption, and secondly, without adequate education it is not possible for officials to perform well even if the will might be there. Therefore prioritising education could facilitate and improve governance and development. (UN 2001, 21)

### 6.2.2 Education

**Zambia.** This section tries to establish the level of education in Zambia, and the possible links of this to the country's LHDI status. According to the World Bank (WB 2003), a poor educational standard manifests itself in low enrolment rates, slow progress, high dropout rates, poor attendance and poor learning. Education is a human right, and all children have the right to education.

However, basic education is not compulsory in Zambia and clearly this is one reason for poor results and slow development. The reasons for this bad state of affairs are: the high costs in relation to the country's level of economic development; the ill health and illiteracy of parents; and the low salaries of teachers. (Kokkala 1995)

A basic education programme, BESSIP, has been accorded high priority; but there is a long way to go to meet universal education targets. (Zambia 1996; UNDP 2005, 101) Less than 50% of primary school leavers go on to secondary schools. Further, even fewer students have access to university and other institutions of higher education. Only about 22,000 youths are receiving skills training in one of the 350 skills training institutions. This is a very low figure compared with the 600,000 youths who have to carry on with their lives without the benefit of any skills training. Information and Communications technology is at a low level and distance and continuing education facilities are very few.

Further, HIV/AIDS has posed a serious problem for human development. Thousands of teachers are dying every year because of the disease, and more than 600,000 children have become orphans. The teacher/pupil ratio is far too high, and there is a chronic lack of education materials. The average literacy rate is only 67% and in the case of women, only 59%. (Zambia 2003) Easterly (2002, 73–75) corroborates the above; writing that the association between growth in education and economic growth is negligible in Zambia, in common with some other East African countries that have been studied. The growth in education is high partly due to a low initial base.

TABLE 4 Distribution of socio-economic groups by different levels of education.

Socio-Economic Groups	No formal Education, % of each group	Primary Education, % of each group	Secondary Education, % of each group	Post Secondary Education, % of each group.
Subsistence farmer	27	62	11	0
Commercial farmer	20	63	16	1
Government employee	4	34	47	15
Parastatal	3	30	48	19
Formal private employee	9	51	36	4
Inform. private employee	14	61	25	0
Self employed non. Agric	10	54	34	2
Employer	7	30	53	10
Unpaid family worker	22	63	15	0
Other	11	53	25	11
Unemployed	9	53	36	2
Inactive	23	49	26	2

Source: UNDP 1999/2000, 59

The table confirms that education levels in Zambia can be considered as low.

In summary, many international co-operating partners, including the UN and the WB (UN 2001; WB 2003) suggest that basic education for everyone should be compulsory, and compliance with this monitored. (ODI 2000, 18-22; Zambia, 2003-2007, Strategic plan) Donors are also very willing to finance education-related programs, to the extent that problems sometimes appear in co-ordination and the ability to absorb all assistance. (UNDP 2005, 101) What is still needed is to win the support and cooperation of the parents, an alarming number of whom are still illiterate and therefore prefer to have their children working on the land instead of going to school.

**Thailand.** There has been sharp growth in enrolment in all types of education. Primary education has become the right, and the obligation, responsibility of virtually all Thai children; with nearly 98% of the relevant age group attending primary school in 1996 compared with only two out of three in 1970. (UNDP 1999b, 1-24)

A particular area of attention and concern in Thailand has been the rate of transition from primary to lower-secondary education. The transition rate improved considerably in the 1990s, when it increased from around 50% in 1990 to 1991 to reach around 90% in 1996-97. (UNDP 1999b)

The government is seeking to address these concerns through the new National Education Act, which has been in force since August 1999, mandating 12 years of compulsory education. Previous to this, the period of compulsory education was 9 years, as laid down in an Education Act that dated from the beginning of the 20<sup>th</sup> century.

TABLE 5 Literacy rates and educational attainment in Thailand.

Location	Literacy rate (%)		Educational Attainment Levels 1998 (%)		
	1995		No Formal Education	Completed Primary School	Completed Secondary School
	Male	Female			
Whole country	99.69	99.58	3.6	65.5	16.3
Bangkok	100	100	1.5	41.1	22.5
Central Region	99.94	99.83	2.7	63.6	18.2
Eastern Region	99.91	99.82	3.0	65.6	17.7
Western Region	99.78	99.61	5.2	67.8	14.1
Northeastern Region	99.87	99.77	1.7	77.9	12.8
Northern Region	98.88	98.55	7.3	66.6	14.1
Southern Region	99.68	99.68	6.0	61.1	18.4

Source: UNDP Human Development Report of Thailand 1999, Table 6

This table shows that the level of education in Thailand is better than that in Zambia (see Table 16 in Chapter 5.2.) This can be linked to the difference in HDI levels between the two countries.

In order to achieve this educational goal as proclaimed in the new Educational Act of 1999 mandating 12 years of compulsory education, the

government earmarked 24.6% of the national budget expenditures for the fiscal year of 2001, and 22.1% in 2002. This translates to 4.8% of GNP. (UNDP 1999b; Ministry for Education, Thailand 2004)

The government has credited the improved education levels with bringing about the country's qualifying for membership of the Tiger state group of countries, and its inclusion in the middle HDIC group. Accordingly, the 8<sup>th</sup> and 9<sup>th</sup> national development plans put heavy emphasis on the need to continue with heavy investments in education, and to provide opportunities for all citizens. This applies to the compulsory 12 years of basic education, and also to vocational and higher education. Thais have great respect for education and know-how, to the degree that parents are ready to make a very substantial contribution to the schooling costs of educating their children.

Thailand, like many other Asian countries, has done remarkably well in spreading economic opportunities throughout their society, by promoting high level of literacy, numeracy and basic education. (Sen 1999, 91,144) Implementing the new mandatory 12-year schooling program imposes a formidable financial burden on the government, but will further improve the future outlook for Thailand.

**Chile.** The educational system provides for: a pre-school level (a non-compulsory stage which applies to children younger than six years old); a compulsory eight years primary level; a non-compulsory four years secondary level, which is orientated towards the social sciences and teaching technical skills, and towards general orientation; and a university or technical level. All these levels offer students different alternatives. First, there is free-of-charge education, promoted by the Municipalities and supported by the National State. Second, private education, which is still common; with 43% of the primary and secondary students, and 50% of the higher education students enrolled in private schools. Subsidised education is another possibility. Six years of elementary education was first declared compulsory in 1920. This was increased to eight years in 1966 and to 12 years in 2002 (IADB 2003; UNDP 2000b)

The situation concerning support facilities for high-quality education is that some facilities are in place, but that improvements are still needed. Almost all students have access to a computer. The Internet is available for 46% of private school goers, while only 15% of the children enrolled in public schools have access to the world-wide web. Educational reform, which started in the 1980s and was carried on throughout the 1990s modernised all areas of education: teaching, learning, the curriculum, education services (library, computer education, books, etc); buildings, and conditions of employment for teachers and professors. (UNDP 2001a; WB 2004; OECD 2003)

Development and restructuring programmes have obviously required considerable amounts of money. While the international community, especially the WB, has assisted a great deal financially, the government has spent between 2.4% to 4 % of GDP on education. If another 3,3% of GDP in the form of private investment is added, Chile emerges as one of the countries that invest heavily in education (WB 2000/2001).

Almost every citizen in Chile is educated, having received not only basic and secondary education, but also the higher tertiary stages. For example, in 1996, 98% of children aged between 6 and 13 years were enrolled in school; and 85% of the age group 14 to 17 were attending secondary-level schools (UNDP 2001a, 85). Tertiary-level enrolment rates have increased to 38% in the age group 18–24 years (WB 2004). The fraction of the population with no schooling at all is about 3% (WB 2004). Chile deserves credit for the efforts that it has put in place in order to improve the education system, especially in the qualitative dimension (UNDP 2004). However, the Programme of International Student Assessment, PISA, reveals that in Chile result related indicators are not as good as enrolment statistics are (WB 2005, 61).

Currently, lifelong learning, and Information and Communication technologies are high priorities in the newly-established curriculum. Clearly, Chile is being prepared to become a knowledge-based economy.

To summarize: during the politically turbulent decades since the 1960s, Chile has reached an advanced stage of educational development. Her HDI score on education is 0.900 (see chapter 3.1); which makes a substantial contribution to the overall score, and forms a solid basis for further progress.

**Finland.** Before the mid 19<sup>th</sup> century, the Church was the provider (and therefore the controller) of education. The main purpose of education then was to prepare people for an ecclesiastical career. The establishment of the Board of Education in 1869 launched the national non-ecclesiastical administration of education. According to a decree issued in 1898, local authorities were obliged to provide schooling for all school-aged children. The priorities and principles mentioned in the new Constitution of Finland had already been highlighted in the Constitution of 1919. In 1921, the general compulsory education was stipulated by law. (Pesonen & Riihinen 2002, 44) It was provided by the six-year folk school. In the 1970's the nine-year comprehensive school was created, providing primary and basic education. (Ministry of Education 1999; National board of education 2001.)

The Constitution of Finland (2000) states that: "everyone has the right to basic education free of charge. The public authorities shall guarantee for everyone equal opportunity to receive other educational services in accordance with their abilities and special needs, as well as the opportunity to develop themselves without being prevented by economic hardship. The freedom of science, the arts and higher education is guaranteed." Based on the above, it is obvious that education is appreciated by both the people and the State in Finland. Over 7% of the country's GNP is invested in education. This percentage is one of the highest in the industrialized countries and indeed, in the whole world. (Pesonen & Riihinen 2002, 23) This policy has resulted in a literacy rate of nearly 100%. (Brewer & Lehtipuu 1999, 26.). Teaching and educational equipment are free, and pupils also get free school meals every day. Some students are also provided with transportation. About 14 per cent of all public expenditure is spent on education. The State covers about two thirds of this. (Ministry of Education 1999; National board of Education 2001)

About 2,520,000 persons (59.4%) aged 15 or over have some kind of educational qualification in addition to their basic education. These qualifications include: completed education and degrees at upper secondary schools, vocational schools, colleges, polytechnics or universities. Almost one third of those with such qualifications have been educated in the fields of technology and engineering. The level of education is higher in urban municipalities than in rural ones. (Tilastokeskus 2002d, 31–33)

The first university (Turku Academy) in Finland was established in 1640. Nowadays there are universities in many major cities, and in addition to these, there are also almost 30 polytechnics. In contrast to the universities, polytechnics do not carry out scientific research, being oriented rather towards practical working life.

During the last few decades, continued adult education has been a great success in Finland. There are already about 1,000 institutions that provide education for adults as well as for young people. Education is provided by many different types of institution, and in addition to their respective curricula they provide people with additional opportunities for relaxation and socializing while learning. (Ministry of Education 1999; National Board of Education 2001)

To summarize, reference is made to the Programme of International Student Assessment, PISA, in which Finland scored the highest marks worldwide for educational achievements. This means that in addition to its educational attainment being top-class worldwide, Finland's education is also of very high quality. (WB 2005)

Additional emphasis and conclusions on the impact of education on development are shown below.

TABLE 6 Education related indicators.

	Public expenditure on education (% of GDP)	Primary enrolment rates (% of school-going age group)	Illiteracy rates (females, 15 years or above) (%)
	1998	1998	1998
LHDICs	2,9	56	61
Zambia	2,2	72	31
Thailand	4,8	80	7
Chile	3,6	90	4
Finland	7,5	100	Nil

Source; WB Development report 2000/2001

This table supports the education-related conclusions reported in chapter 4.2.2. The higher the financial investment in education in absolute and relative terms, the higher are enrolment rates and the better are illiteracy rates. This, in turn, can lead to more education on the vocational and tertiary levels, and subsequently to a more educated labor force.

Further, comparison of education component values as part of the HDI and HDI itself convincingly emphasize the importance of education. Chapter 6.3 plot diagram including the four countries and additional 177 countries further illustrates this.

### 6.2.3 Property rights

**Zambia.** The wide use of customary laws in Zambia leaves a lot of space for the so called phenomenon “the law is as it is interpreted”. Customary laws clearly place women in a subordinate position to men. Easterly (2002, 196) illustrates this with the example of widows, who are often thrown out from their houses empty-handed by male relatives of their deceased husbands.

Zambians do lack resources, including land. All land is vested in the President, and land tenure is divided into two systems: the traditional system and the modern leasehold system. Under the traditional system, chiefs administer land rights and claims; and the total area under this system is slightly more than 50% of the total land area. Areas under the modern system are divided into state land and reserves. It is the state land, approximately 6% of the total area that is under the leasehold system. It is extremely difficult for women and unmarried youths to obtain land in their own right. A large proportion of small-scale farmers do not have formal titles to their land; creating uncertainties with regards to access; and this situation also discourages long-term investment and prevents use of land as collateral. (Chapter 4.4) In traditional African society, the households, and villages provide access to informal credit, and insurance against risk. Further, lineage rules of inheritance help to enforce intergenerational transfers. The threat of sanctions and exclusion from social structures and the benefits they offered served to reinforce the rules. Socially, this may function; but customary land tenure does reduce the role of land as collateral and input, and thus as a lever to generate growth. (Bruce 1993; Mabogunje & Mphanza 1992; Mvunga 1982)

Property rights in Zambia with regard to development and poverty reduction in particular, leaves a lot to be desired. (ODI 2000, 8) Excessive bureaucracy acts as a brake on initiatives of any kind, and corruption is rampant. The combination of these factors means that public institutions tend to be bottlenecks, instead of supporting and facilitating development and people’s and companies initiatives. Easterly (2002, 42, 250) argues that if all the international aid that Zambia has received since independence (about \$ 2 billion) had been properly applied, Zambia could be an industrialized country, with a per capita income of \$ 20,000; instead of the present \$400 per capita. Aid money, investments and financing compared to economic performance achieved has not been good and can be a measure of poor property rights..

The chiefs represent a strong force in the dual governance system. However, they are gradually losing their grip on power; one example of this being the fact that they were ousted from the parliament in the 1990s. (UN 2001; UNDP 1999/2000) The chiefs are trying to launch a comeback; but it seems that banning them from politics was a permanent step taken by the parliament.

There is also a link between property rights and foreign direct investments, FDI. FDI into Zambia is low, which also indicates that property rights do not create a good investment climate. On the contrary, as Table 10 in Chapter 5.1 shows, Zambia’s country risk to investors is considerable.

**Thailand.** In the early 19<sup>th</sup> century, land was in abundance and labour was scarce; and therefore slaves, rather than land were used as collateral (WB 2002a, 17). As a consequence, farm productivity was limited and family incomes remained low. Without legal recognition of land ownership, boundary disputes were common, and farmers' security with respect to their right to stay on their farms was often challenged. Gradually, land reforms started to emerge, the first one being a document setting procedures relevant to land trade and property rights from 1892. Reforms continued throughout the decades of the 20<sup>th</sup> century (Muscat 1994).

At the beginning of the 1980s, about 12% of Thailand's occupied agricultural land was covered by title deeds, with a further 49% held under less secure forms of land-use documentation. Due to the desire to fight rural poverty through the promotion of agricultural intensification and growth, the Royal Thai Government launched a 20-year land-titling program. This began in 1984 and is still going on. To date, the program has received good international support. (Burns 2005; UNDP 1999b)

According to the National Economic and Social Development Plan, Thailand (2003), the first project that the World Bank supported with a loan of US\$35 million started in 1985 and ended in 1990, and resulted in 1.7 million titles. It concentrated on issuing titles and enhancing existing technology (UNDP 1999b; Burns 2005; Bowman 2005; WB 2002a). The second project, implemented largely during the years 1990-1994, was supported with a Bank loan and resulted in an additional 2 million titles. It concentrated mainly on land administration issues and the setting up of decentralized administrative offices able to address these issues (WB 2002a). The third project, begun in 1995 and continuing through 2001, and with Bank funding of US\$118 million, could produce as many as 5 million titles. It also addresses the question of efficiency in the land offices; where the processing of land transactions in the computerized urban offices has been reduced to an average of two hours per transaction. The government plans to go forward with the fourth phase, which will complete the 20-year land titling program (WB 2002a). Over 8.5 million land-title deeds have been issued to 2 million rural households in Thailand since the Land Titling Project began in 1984. Productivity has increased appreciably, and the reform has been a great success (WB 2005, 83).

Even though the land-titling program has issued over 5.5 million title deeds, the process is far from complete, because the Thai Government has estimated that there are about 23 million private parcels of land in the country. 42% of Thailand is private agricultural land, and many more million parcels are waiting to be processed (UNDP 1999b; WB 2002a; National Economic and Social Development Plan, Thailand 2003).

A fair conclusion could be that the land-titling program is a good example of how Thailand is eager to apply modernization; having noted the way in which property rights are handled in HHDICs. Consequently, Thailand is well under way to turning the land from "dead capital" into an asset able to serve as input and collateral.



**Chile.** Land ownership used to be based on the Latifundio pattern. This originated in the Spanish crown's early colonial practice of giving huge land grants to soldiers involved in the conquest of Chilean territory. These big estates were typically run by small Minifundios. These were poor rural workers whose plots were not enough to provide them with a living, and who were therefore forced to work for the Latifundio elite. During the 1950s, 1960s and early 70s most of the Latifundios were expropriated; becoming state-owned (Hickman 1998, 73; Loc.Gov 1994). During the presidencies of Frei and Allende in the 1960s and 70s, the expropriation process brought more than 3.5 million hectares of land under government ownership. (Hickman 1998, 80)

At the beginning of the dictatorship era, about 50% of the land was customary, or fully government-owned. Land ownership reform started in 1974. By 1978, when the land reform law came into force, all common land had been put into private hands, being given to either individuals or companies, which now enjoyed full ownership. This took place by returning plots which the State had taken over to previous owners wherever possible the rest being sold by auction. But the end result of this process was that the land was now held by a much larger number of owners than had been the case during the Latifundio period. Approximately 30% was returned to previous owners, 29% went to ex-tenants, and 10 % was retained by the Government (Martinez & Diaz 1996, 51).

In conclusion, it may be said that Chile has lived through conservatism, socialism, and dictatorship; and has now stopped at a balanced democracy. During the changes the pendulum concerning land ownership has swung from nationalization to private ownership with secured title deeds and land registration. This was one cornerstone of the succeeding economic miracle. (Martinez & Diaz 1996, 619; Baytelman et al. 1999) The combination of good governance and very little corruption forms a solid basis for continued human development (WB 2005)

**Finland.** Finland has a strictly statutory law system emphasizing the primacy of written laws and general legal concepts. (Pesonen & Riihinen, 2002, 202)

Legislative proposals are considered in a plenary session (two readings) of the Parliament. The legislative proposal is either accepted or rejected on the second reading. Issues taken for consideration in the Parliament can be initiated by the Government, some representative of the Parliament or some other quarter mentioned in the Constitution and/or in the Parliament's Rules of Procedure. (The Constitution of Finland 2000). The Government takes care of the preparation of legislation and makes decisions specifying statutes. European Union laws are binding as such, while directives are endorsed by the parliament before implementation. Further, the EU also makes recommendations, the implementation of which is at the discretion of the authorities inside individual member countries.

Land ownership is strictly regulated by law in Finland. The tenant farming system prevailed from the 17<sup>th</sup> century, including the cotter system as a subsystem. The land market was freed in 1859. Dismantling of the cotter system

began in 1918, based on legislation made immediately after Independence. Tenants could buy out their farms and plots, and by the 1950s the process was completed. Another land acquisition Act was passed in 1945. (Aho 1996, 53–57). It guaranteed the livelihood and future of people, including the migrants (evacuees) who had lost their land to the Soviet Union because of the war. (Ekonen, Kulju, Matsinen & Tarkka 1995, 115–116; Siipi 1967, 181–182; Vesikansa 1992, 58) There is a free land market based on an accurate and strictly-maintained system of land registration, with up-to-date title deeds. Market-based promissory notes are issued on demand, and can be mortgaged as collateral. At present about 70% of all land in Finland is privately owned. Property rights and corruption indexes are exemplary according to international standards.

Conclusion on impact on development of property rights are convincing. Thailand, Chile and Finland have statutory land registration system with secured title deeds. They have much higher human development index than Zambia, where customary land ownership still prevails. Same applies to corruption and thus on property rights. Chapter 6.3. further illustrates comparison of corruption index and HDI among the four countries and up to 177 countries.

#### 6.2.4 Economic policy

**Zambia.** A review of Zambian economy is important, as finding evidence for its narrow base may provide an explanation for its economic weakness and subsequently low level of human development. Zambia has had the experience of being one of the most prosperous countries in Sub-Saharan Africa until two decades ago. In 1995 money terms, the GNP per capita was above USD 600 in the early 1960s and 70s, but by the year 2000 it had dropped to levels below USD 400. (UNDP 1999/2000) During the first half of this period, there was steady growth; but it can be said that during the Second Republic of 1972–1990, Zambia was static for two decades; which explains the steep drop in GNP levels. (UNDP 1997; 1999/2000; UN 2001) Structurally, Zambia retains the features of the classical-raw material based economy. This means that raw materials are traded unrefined, or with only minimal value-adding refinement (ODI 2000, 67).

#### *Mining*

The mining sector has been by far the most important sector, and copper exports have accounted for 80% of all export earnings for most of the period since independence. However, the sector has undergone a major transformation. All assets previously controlled by the government have been transferred to private mining companies, with only 20% retained by the State. The Mines and Minerals Act was revised in 1995; resulting, among other things, in massive tax concessions. This in turn has negatively affected Government revenue. The future contribution of copper exports to economic development will probably vary due to high volatility of demand and the world market price.

Copper production peaked in the 1970s with an annual output of 700,000 tonnes. In 1999 the figure was only 222,000 tonnes. World market prices reduced from USD 0.93/pound (1974) to the level of USD 0.56/pound by 2001, presenting a drop of 40%. Further, the necessary copper ore output per one ton of finished copper has increased by 20%. According to Shillington (1997, 64–65) the Zambian economy went into a spiral decline from which it has not recovered yet, due to the collapse of the mining sector. From 2001 the price has sharply increased, and this helps Zambia's economy.

The government is, jointly with international organizations, working a new strategy to revive mining; and has come up with action plans, including, among other points: the need for the improved creation of a revolving fund; a plant hire scheme; a gemstone exchange scheme; and an adequate power supply, highways, and water supply for the mining industry (UNDP 1999/2000; UN 2001). This may help Zambia to perform better in global competition for market shares.

### *Agriculture*

There are about 9 million hectares of arable land, but only 16% is currently cultivated. Agriculture provides livelihoods for about 50% of the population and 67% of the formal labour force. Most of the agriculture is rain-fed, with only 6% of the potential areas being irrigated. There are about 700,000 farm households. Small-scale farmers constitute about 75% of the total, with an average size of 2 hectares; emergent farmers constitute 17%; and commercial farmers, with farm sizes of 40 hectares or more, the remaining 8%. The major agricultural products are: maize, sunflower, seed cotton, wheat, paddy rice and soybeans. Groundnuts and seed cotton production are on the rise, while other crops are reducing. (Gould 1997) Gould has interestingly researched agriculture and the localization of modernization in the North-Western province of Zambia. Since 1991 Zambia has radically changed its agricultural policy, and the institutional environment for agriculture, through liberalization and privatization. State services have been replaced by private suppliers of credit, inputs, and marketing activities. (UNDP 1999/2000; UN 2001)

Livestock sub-sector is also economically important, accounting for 35% of total agricultural production. The main animal species are cattle, goats, pigs and poultry. With 409 known fish species, Zambia is rich in fish resources. Some studies estimate that the annual catch is about 60,000 tons, which converts to 5–6 kilos/person or, at year 2000 prices, to approximately USD 24 million. (UNDP 1999/2000; UN 2001)

All in all, agriculture generates about 20% of the Gross Domestic Product; but it can be said that Zambia is not able to feed itself. This leads to starvation, and chronic malnutrition and stunting if deficits are not filled with imported food. (UNDP 1999/ 2000; UN 2001; WB, 2000/2001, 69)

### *Energy*

In the absence of modern energy services, people have to rely on wood, dung, and other biomass fuels. These are not very efficient, and the use of wood fuel

causes deforestation. At present the electricity and petroleum industry employs about 6000 people and the charcoal industry some 60,000 people. There is a rural electrification programme in place, and some power plants have recently been constructed. These are the Kafue Hydro dam (900MW) and the Itechi-Tezhi Hydri project (120MW) and a grid connecting Zambia with Tanzania's and Kenya's networks. The access rate in the late 1990s and early new millennium is only about 20% (15% in rural areas) but the plan is to increase it to 50% by 2010. Traditionally, Zambia has been self-supporting with regard to energy supply, even with some surplus for export. MOFED 2001) further plans include an increase in the export of power.

### *Transport*

Transport plays an important role in facilitating trade and providing access to social services. In spite of being landlocked, Zambia can serve as a hub for the region. There are railways from the Zimbabwean border in the south to the Congolese border in the north. A Joint Venture company TAZARA (Zambia and Tanzania) provides a link to Dar Es Salaam. The road network consists of approximately 37,000 km out of which 6,476 km are paved and another 8,478 km are gravel; the remaining roads being dirt roads. In addition there are about 30,000 km of ungazetted community roads. Most of the roads were built in the period 1965–75 and are now deteriorating through lack of maintenance. However, in the late 1990s a policy change, based on cost-sharing between the Government and provincial, district and community bodies started to improve the situation, providing improved access to remote rural areas. (WB 2000/2001, 91) Zambia Airways went bankrupt in the 1990's, and air travellers have to rely on foreign and/or small carriers. There are 4 major airports and several tens of small aerodromes suitable for small planes only. The role of water transport is not high, and related technology has not been developed. Road safety is poor, and at least 1000 lives are lost annually in accidents. This represents a 2.3% loss of GDP. (Zambia 2002)

### *Tourism*

In Zambia tourism remains a marginal sub-sector, providing only 2% of GDP and with only 11,000 people employed in the sector. The Number of international visitors is on the rise, however, and has grown from approximately 150,000 in the early 1990's to close to half a million people in the year 2000. Zambia's share of tourism revenue in the SADC region is only 4%, which means there is a big untapped potential there, especially considering that Zambia partly contains one of the world's big attractions, the Victoria Falls (UN 2001).

### *Industry*

Current industrial policy is to support the free enterprise system, and the sector was exposed to the abolition of consumer subsidies, decontrolling of imports, and the freeing of exchange rates. However, there is a lack of competition, the export base is narrow, and smuggling is rampant. Most of the value-addition in this sub-sector is produced by tobacco, beverages, textiles, leather, rubber and

some wood and plastics industries. SME promotion is a priority, and a legal and regulatory framework is in place. Major problems are capital market development, skills development, and appropriate property rights regulations. (UNDP 1999/2000; UN 2001)

Economically, Zambia may be described as a country of large corporations; a state of affairs which results from a consistent policy during the early colonial times. This phenomenon developed to the degree where each sector was controlled by monopolies, which in turn tended to lead to lax management and inefficiencies. In spite of some infrastructure accomplishments by the Government, the country fell into indebtedness, with shortages of goods, hyperinflation, and poverty. Side by side with the large companies there exists the subsistence sector, which moved from rural areas into the cities, and has become a considerable informal sector. Up to 80% of the total labour force (4, 6 million people) makes their living in the informal sector. (UNDP 1999/2000; UN 2001)

In 1968 the Zambian government nationalised most of the large commercial and industrial companies. This was followed by nationalization of the mining industry in 1970. Some banks, insurance companies, agricultural finance institutions, building societies and provident funds were included in the list the following year. The 1980s were characterized by several phases of policy regimes which followed each other probably too quickly; so that there was no time for the results of previous efforts to stabilize the economy to emerge; and no opportunity, therefore to evaluate these measures. When the Movement for Multiparty democracy, MMD, came into power in 1991, the economy was already in serious crisis, with all indicators deteriorating. Two, and at times three-digit inflation was the principal enemy of the government. (Easterly 2002, 219) The government prepared a new set of policy reforms, the most important being the following: Cash-based budgeting; the auctioning of treasury bills; making the national currency, the Kwacha, fully convertible; liberalization of crop markets; import liberalization; the establishment of a Zambia revenue authority; the launching of the Lusaka Stock Exchange; the establishment of the Zambia privatisation agency. It seems that at least some positive results were achieved through these measures. For example, inflation was reduced to double digit rates, and budget deficits were reduced as well. However, donor funds constituted up to 60 % of the budget, and the debt service ratio rose to 30%. The distribution of wealth had been skewed. The top 5% of the population had 46% of the national income, and the bottom 23%, only 1.7%. (WB 2000/2001; UNDP 1999/2000; UN 2001)

Real GDP growth rates have been very modest, or negative, throughout the 90's; and foreign debt stock has been in the range of USD 6-7 billion. One major reason was a steady decline in copper output. The G7, (currently G8) group of countries initiative, HIPC, however, has come to the rescue; and Zambia can expect as much as 60% of its foreign debt to be written off. The lack of financial service infrastructure in rural areas is likely to adversely affect the development process and should be addressed. (ODI 2000; Zambia 2002)

Informal sector entrepreneurship consists mainly of piece-work and petty vending. People earning their living in the informal sector raise their standard of living to above what the official statistics suggest. However, value addition in the informal sector is not taxed, and so the Government is losing a lot of tax revenue. (UN 2001) The integration of informal and formal sectors and the passing of legislation that supports entrepreneurship would considerably enhance development (De Soto 2000). These proposals seem to be very relevant in the case of Zambia. Further, supporting Small and Medium scale Enterprises (SME) and Micro Finance instruments could have a huge potential to contribute to development in Zambia.

De Soto (2000, 69) estimated that only 10% of the work force in Zambia is legally employed. Greig, Hulme and Turner (2007, 34) agree with this. Further, at least, 79% (or 3.7 million people) of those who work are in the informal sector. Among females the percentage is 89% and among males 71%. Further, informal sector employment is more pronounced in rural areas (91%) than in urban areas (48%). The decline in all development indicators has significantly contributed to an increase in the participation of women and children in the informal sector. Out of all self-employed people, 45% were women in 1985, and 67% in 1996. The contribution of children in the age group 12–14 years has also increased drastically. The cash and in-kind benefits generated in the informal sector by this involvement have improved the lives of many households, but such improvements are only in the short run. In the long run these benefits come at the cost of school drop-outs, reduced child school enrolment, child labour, child abandonment and malnutrition. The rural informal sector work is mostly low-earning piece work; and since the participants do not possess any collateral, they are unable to raise the capital which might enable them to better their position. (UNDP 1997)

The country's trade balance is in deficit, and improvements in competitiveness are needed to compensate for reduced demand and lower world prices. This applies especially to copper. If some of Zambia's imports could be replaced by domestic entrepreneurship, the cumulative effect of these changes could turn the economy and human development to a growth path. Zambia imports mainly from South Africa and the United Arab Emirates. (Seddon 2005, 505) To repeat the comment made by the Commission of Africa (2005, 90) reported in Chapter 4, above: In addition to western subsidies, quotas and tariffs, African states have problems with international trade because they just do not have enough goods and products to trade. This comment applies to Zambia as well. One major reason for this is the fact that private initiative was completely suppressed during the 1970s and 80s (Mbikusita-Lewanika 1990)

To conclude, diversification could be an important remedy for a poor economic situation. Diversification, however, would require a better investment climate through improved property rights.

**Thailand.** This section explores the structure of the Thai economy, in order to highlight the factors that contributed to the growth of the country to Middle HDIC status.

Based traditionally on agricultural exports, the Thai economy was transformed into one of the most diverse economies in South-East Asia in the 25 years leading up to 1998. By the 1970s the active promotion of foreign investment had already created an industrial sector based on import substitution. In the 1980s an export-oriented manufacturing sector, based on labour-intensive items such as textiles and garments, began to develop. (Korhonen 1998, 119) After 1990 the fastest growth was in higher-technology goods such as vehicle parts and computer accessories (Muscat 1994, 4, 170, 223; Todaro 1997, 565-567). At the end of 1980s, Thailand was one of the fastest-growing economies in the world. The growth rate reached 5,3% per capita per year (Warr 2005, 3; Easterly, 2002, 104).

Such fast growth required external financing, and the total foreign debts, in both public and private sectors, grew from 29.3 US\$ billion in 1990 to 108.7 US\$ billion in 1996.

In the 1990s pegging, the baht to a strengthening US dollar eroded the competitiveness of low-cost goods, and import-dependent high-technology products were unable to fill the gap. The widening current-account deficit and dependence on short-term capital inflows paved the way to a currency crisis. The situation culminated in an economic meltdown in 1997, when Thailand had to devalue her currency, the Baht, by 60 percent. The ratio of debt to GDP had also gone up from 34.3% in 1990 to 93.2% in 1998. (UNDP 1999b; WB 2002b) According to Stiglitz (2002, 18, 89) the IMF is to be blamed for exacerbating the crisis, and for the whole East Asian economic crisis; because the financial and monetary markets were liberalized too rapidly. Thailand's economic meltdown was caused by financial flows escaping the country. The impact was exacerbated by an additional psychological effect. According to Warr (2005, 57), Thais were overconfident to the point of arrogance, and blinded by their economic boom, which eventually had to lead to collapse. Elimination of strict real-estate lending policies was another factor worsening the situation. (Stiglitz 2002, 198, 238)

As export earnings fell and capital was withdrawn, the GDP declined by 1.4% in 1997 and a massive 10.8% in 1998, compared with an average growth rate of 8.5% in the years 1990-96 (Board of Trade, Thailand 2004). The subsequent recession forced the administration to make certain structural reforms. Recovery started slowly in 1999/2000 and is still going on. (Board of Trade, Thailand) The recovery period is characterized by excess capacity. According to Warr and Chai-Anan (Warr 2005 165, 179) the recovery has been going well, thanks largely to the country's Buddhist culture. Buddhist thinking rejects greed, and welcomes a certain amount of suffering as a necessary consequence of it.

The manufacturing sector includes processing facilities for rice, wood, sugar, fruits, and seafood, and refineries for oil and ore. There are also assembly plants for integrated circuits, automobiles, agricultural machinery, household appliances, diesel engines, drilling and welding machines. Factories produce items as diverse as textiles; furniture, ceramics, pharmaceutical products,

artificial flowers and animal feeds, and industrial plants manufacture aluminium, glass and cement (Muscat 1994; Wade 1990).

The mining industry in Thailand used to be dominated by tin. However, with later developments, the output of other minerals such as lime, gypsum, and lignite has become more prominent. In addition, significant increases in the output of a number of other minerals such as iron, antimony, manganese and lead have been achieved. (Muscat 1994)

In conclusion, it could be said of Thailand's industry, that the manufacturing sector continues to be the principle engine of the nation's economic performance, with sustainable growth of around eight percent a year forecast until the end of the decade. Manufactured goods now account for 80 percent of total exports, contributing some 30 percent to the nation's gross domestic product (Muscat 1994; UNDP 1999b).

### *Agriculture*

The fertile and well-watered plains of Thailand have blessed the people with more than enough rice, maize, and other crops, establishing Thailand as the "rice-bowl" of Southeast Asia. The cultivated area represents about 20.8 million hectares. Thailand is a fertile country, and agriculture, including crop cultivation, forestry, livestock breeding and fisheries is the Thai economy's largest and most important sector. About 21.8 million hectares are protected as national forest reserves. (Muscat 1994; Mingsarn Kaosa-ard 205, 316)

Rice is the staple food of the Thai diet. Export crops like sugar, tapioca, maize, pineapples, rubber, coconuts, and kenaf are becoming increasingly important. Raw cotton and soybeans are also produced for export, and tobacco production is on the rise. Tropical fruits, including more than 20 varieties of edible bananas, are grown in abundance, and intensive livestock breeding includes cattle, poultry and pigs (UNDP 1999b; Board of investment, Thailand 2005). Fishing is important. Thailand has a large fishing fleet operating from its 800-kilometer Indian Ocean and 1,800-kilometer Gulf of Thailand coasts. Thailand ranks among the world's top ten nations with a fishing industry in terms of total catch and exports. Fishing is the third-largest agricultural activity after crops and livestock. (UNDP 1999b) However, the degradation of coastal and ocean resources poses a serious challenge. (Mingsarn Kaosa-ard, 2005, 328)

The agriculture sector's contribution to the Gross Domestic Product declined from 23% in 1980 to only 10% in 2000, due primarily to the rapid expansion of other sectors of the economy. However, agriculture will continue to Employ a major share of the Thai labor force for years to come.

### *Energy*

In the early 1980s, most of Thailand's commercial energy requirements were met by imports. Of the total demand, imported energy accounted for over 90 per cent, mainly in the form of petroleum. As a consequence of this, the Thai government has seriously stepped up its efforts to explore domestic energy resources. (NESDP 2001, 1-17; Muscat, 1994)



Of the total commercial energy consumption, natural gas accounted for 20.6 per cent, while coal/lignite and hydropower accounted for 15.2 per cent and 3 per cent respectively. The remaining 61.2 per cent was based on petroleum products. Charcoal and fuel wood still play an important role in rural areas. (National Energy Policy Office 1999).

#### *Transport & Communication*

Over 176,000 kilometers of national highways and rural roads link provincial capitals and major cities. The State Railway operates an efficient rail system linking Bangkok with northern, northeast and central Thailand, while a southern route allows direct rail travel from Bangkok to Malaysia and Singapore. Despite the rapid growth of inter-provincial buses, train travel is still popular. The length of the rail network is nearly 4,000 km. (UNDP 1999b)

Thailand has more than 29 domestic airports and six international airports. Since its founding in 1960, Thai Airways International, Thailand's national carrier, has enjoyed remarkable success. It operates regular wide-bodied jet services to more than 50 major cities in Europe, North America, the Middle East, Asia, and Australasia. Combined, existing facilities and new projects will enable Thailand to achieve its goal of becoming a regional air transportation hub. (Tourism Authority of Thailand 2004)

At present, there are eight international deep-sea ports in operation, with four private ports permitted to handle container cargoes. Laem Chabang Commercial Port and Map Ta Phut Industrial Port were completed in 1992. The Songkhla and Phuket Ports have been developed to serve Southern Thailand. (Muscat 1994)

Tourism is one of the country's largest earners of foreign exchange (7.75 billion euros in 2001). In 2001, the country welcomed 10.13 million overseas visitors. Malaysia is Thailand's largest market for arrivals, followed by Japan and China. (UNDP 1999b)

Thailand's recent successful performance in tourism is due to several factors; including economic stability, an increased number of flights to Thailand, the opening of the new airport terminal in Bangkok, greater financial support from the government and increased cooperation from the private sector. Thailand is going to play a major role in the development of tourism within Indochina. A number of cooperative marketing agreements have already been signed with the governments of Vietnam, China, Cambodia and Laos. (Tourism Authority of Thailand 2004) However, the devastating tsunami in December 2004 has caused serious damage to the tourist industry.

The trade balance was in deficit throughout the 90's up until mid-1997, when the currency was devalued because of the economic collapse at that time. Remedies for this economic disaster eventually brought results in the form of trade surpluses in the range of 7 billion US\$ per annum on average over a four-year period from 1998 to 2001. Structural changes in politics, finance, and the national economy have been introduced as well. (UNDP 2004)

In summary, Thailand's major economic milestones, on its road to MHDIC status and simultaneously to Tiger state status were the following: from the

1960s to 1970s, selective protectionist import substitution; from the late 1970s through the 1980s, export orientation and policies designed to attract foreign direct investment (Todaro 1997, 565–567). Thailand also received considerable amounts of aid money and loans after the Second World War up until the 1970s, and put them to effective use (Muscat 1994, 84–85). According to Castells (2000b, 333), Thailand's success is due to a great extent to the way in which it has opened itself up to globalization.

However, the 1997 economic recession was so severe that it caused a delay in the development process. Recovery started three to four years later, but it will probably be several more years before the aftermath is fully over. The economic gains achieved were eroded but not erased (Warr 2005, 5). However, this recession was no more than a temporary black episode in the development process. It does not have to change the positive conclusions and observations made above, since Thailand continues to improve her HDI scores in the MHDIC group.

**Chile.** Since the early 20<sup>th</sup> century, the Chilean economy has been dominated by the production of copper. In the 1940s, as a government effort to diversify the economy, the industrial sector initiated a period of expansion. Nowadays, Chile is one of the leading industrial nations in Latin America, as well as one of the largest mineral producers. The Copper industry was the only sector remaining under State control during the privatization process. (Martinez & Diaz 1996, 132; Hickman 1998) writes: "Pragmatism won over ideology because there has never been capitalism without a State."

Chile's economy being one of the strongest in South America, it has a leading role in the Asian – Pacific Economy Cooperation (APEC) forum, the North American Free Trade Agreement (NAFTA) and the Latin America Integration Association (LAIA). Chile has also become an associate member of the Southern Cone Common Market (MERCOSUR), which also includes Argentina, Brazil, Paraguay and Uruguay (Hickman 1998; Encarta Encyclopedia 2003; UNDP 2000b)

### *Mining*

Chile has some of the world's largest known copper deposits and is the world's leading producer of this metal. Copper is the leading export item, accounting for nearly 40 percent of all annual exports by value. The total annual output increased from 0.743 million tonnes in 1973 to some 4.4 million tonnes in 1999. (Saha & Parker 2002, 183) The same year, Chile produced 5.8 million barrels of petroleum and 2 billion cu.ms. of natural gas. Iron ore is the country's other leading mineral product. Chile also has large deposits of nitrates, iodine, sulphur, and coal, as well as silver, gold, manganese, and molybdenum. Despite these facts, the mineral component of exports is decreasing, due to gains in other economic sectors. In 1986, the Copper stabilization fund (CSF) 1986 was established in order to secure stability whenever global fluctuations might threaten Chile's dominant position. (Hickman 1998; Encarta Encyclopedia 2003; WB 2002f; UNDP 2000b)

*Energy*

The electricity-generating plants in Chile produced about 40 billion kilowatt-hours of electricity in the 1990s. The fast-flowing rivers that descend from the Andes and the coastal ranges are potentially rich sources of hydroelectric power. Major efforts have been made to harness this potential, and at the end of the millennium, more than 50 percent of Chile's energy was generated by hydropower. (Encarta Encyclopedia 2003; Scully 1998; UNDP 2000b)

*Manufacturing*

The manufacturing sector, along with mining and construction, contributes 34 percent of Chile's annual national output. Manufacturing is largely based on the refining and processing of the country's mineral, agricultural, and forestry resources. Chile is a major South American producer of steel, with an annual output in the early 1990s of some 336,700 metric tons of ingots. Copper is also refined, and the several oil refineries use both domestic and imported petroleum. Other important manufactures include food products, cement, pulp and paper products, textiles (cotton, wool, and synthetics), tobacco products, glass, chemicals, refined sugar, and electronic equipment. The assembly of automobiles is also important. The bulk of the country's manufacturing industry is located near Santiago, Valparaíso and Concepción. (Encarta Encyclopedia 2003; WB 2002f; Scully 1998; UNDP 2000b)

*Agriculture*

Since the 1960s agrarian land-reform programs have been instrumental in increasing the number of small landowners, and modern farming methods have increased productivity. While only 3 percent of Chile's land area is currently under cultivation, agricultural production doubled from the early 1980s to the mid-1990s. Chile exports more than twice the amount of agricultural products it imports. Taken together with forestry and the fishing sector, agriculture engages 14 percent of the labour force of the country. This sector also accounts for 8% of the GDP. The bulk of Chile's agricultural activity is concentrated in the Central Valley. The principal crops include fruit, particularly grapes and apples; vegetables; root crops such as sugar beet and potatoes; and maize. Chile is the southern hemisphere's largest exporter of fruit. The country also has an important winemaking industry. Sheep are raised in large numbers in the south regions of Chilean Patagonia. In all the country had about 4.1 million head of sheep in 2000. Other livestock include cattle, pigs, and horses. The expansion of the agricultural sector has successfully reduced the country's dependence on imported food. (Hickman 1998; Encarta Encyclopedia 2003; WB 2002f; WB 2002g; UNDP 1996)

*Forestry*

Forests cover 20.8 percent of Chile's land area. The annual cut is some 31 million cubic meters. Output consists of both hardwoods (such as laurel) and softwoods (such as pine). Lumber, pulp, and paper are the major products. The forestry industry accounted for more than 6 percent of annual exports in 1990s.

### *Fishing*

Chile has one of the largest fishing industries in South America. A catch of approximately 6 million metric tons was taken in the country's rich fishing waters in the 1990s. The Principal species caught included mackerel, anchovy, sardine, and herring. (Encarta Encyclopedia. 2003)

### *Transportation*

Chile has a network of about 79,353 km of roads, of which 19 percent are paved. In the mid-1990s Chile was seeking private investors to improve a 1600-kilometer-long section of the Pan-American Highway, and then to operate the section as a toll road. Railroad lines total 2,710 km. in length and are confined to the northern two-thirds of the country. The main north-south system is connected by spur lines to important coastal towns, and by trans-Andean lines to points in Argentina and Bolivia. Because of the difficult terrain, many coastal cities rely on water transportation. The principal ports are Valparaíso; Talcahuano and Tomé (both located on Concepción Bay); Antofagasta, San Antonio, and Punta Arenas. The most important international airports in the country are located near Santiago and Arica. Others are at Antofagasta, Puerto Montt, and Punta Arenas. (Encarta Encyclopedia 2003; WB 2002f; Scully 1998; UNDP 2000b)

### *Foreign Trade*

Metals and mineral ores typically constitute nearly half of the total export. Other important exports include fruits and vegetables, wood pulp and paper products, and chemicals. Principal imports are machinery and transportation equipment, electric equipment, mineral products, and chemicals. Chile's chief trading partners for exports are Japan, Brazil, the United States, the United Kingdom, Germany, and Italy. Principal sources for imports are the United States, Argentina, Brazil, Japan, Germany, Mexico, and Italy. (Hickman 1998; Encarta Encyclopedia 2003; UNDP 2000b)

The above-mentioned economic activities, and other work carried out in Chile is based on the contributions of the entire labor force of approximately 6,2 million people. Of these, the majority 63% are engaged in services; 34% in industry; and about 13% in agriculture.

(CIA 2005) According to Martinez and Diaz (1996, 103) the percentage of the labor force involved in the informal sector was between 45–35% during the years from 1970s to the end of the 1990s.

The Policies of the 1970s left in place strategies incompatible with sustained growth and stability-nominal wages indexed to past inflation, a fixed nominal exchange rate, inadequate supervision of financial institutions and weak corporate governance. These policy weaknesses, together with major negative external shocks led to large current account deficits (15 and 10 percent of GDP in 1981 and 1982 respectively) and a high debt service (71% of exports of goods and services in 1982). In mid-1982, after foreign commercial banks stopped lending to Chile, the government devalued the peso and the economy collapsed. (Hickman 1998; WB 2002f; Scully 1998; UNDP 1998)

The efforts to stage a recovery had already been begun by 1985. The authorities had realized that effective and lasting solutions to the problems required immediate action. It was agreed that the reforms should aim at increasing exports and public savings, reducing external debt, and rehabilitating the financial sector. These policies were to be complemented with policies designed to maintain infrastructure and reduce and alleviate poverty. To achieve its objectives, the government increased tax revenues, reduced government expenditure, maintained a tight monetary policy, let real wages fall and the peso depreciate, and reduced import tariffs. Among other measures taken, many state-owned enterprises were privatised. (Hickman 1998; Martinez & Diaz 1996)

Harberger (in Meier & Stiglitz 2001, 550–554) praises the economic policies that Chile implemented in the 1980s and 90s. In particular, he emphasises that it was Washington consensus liberalization that put Chile on the path to success. After the coup d'état, Chile became one of the most denationalised countries in the world. (Saha & Parker 2002, 181; Mesa-Lago, 2004, 177) Stiglitz (2002, 18, 184), comments that success stories under dictatorships have been rare among so many failures. In Chile, fiscal and monetary policies in particular were successful. Wolf (2004, 28) and Castells (2002a, 113–114) support this view; adding that Chile became a model for other Latin-American countries that have adopted similar policies. It should be added that sound policies were certainly needed, following the bout of high inflation, which reached a peak of 600% in 1973, and was typically above 40% per year in the 1960s and 1970s. Inflation on this scale was common in Latin America during that period (Easterly 2002, 219).

Credit for the economic development goes only partly to Pinochet. Under his dictatorship the emphasis was on maintaining political order; and while political control was tight, the economic élite could concentrate on orchestrating the free-market revolution (Martinez & Diaz 1996, 2). According to Hickman (1998, 137) the “Chicago boys” played a big role in supporting the capitalist revolution in Chile. This term, Chicago boys, refers to the development assistance given by the USA. Especially in 1960, the USA supported Chile more than any other country in South America, hoping that a “pivotal lever” effect would take place on the continent (Hickman, 1998, 73). According to Auvinen (1996, 244), Pinochet realized that sound economic policies were the key for him to be able to continue with his authoritarian regime. According to Todaro (1997, 672-673) employee ownership considerably increased productivity in the private sector; thus further contributing to the success story.

In conclusion, Chile has showed how considerable economic growth has taken place in a fairly short period of time; 20–30 years. Chile's success is to a great extent based on sound economic policies and an educated population.

**Finland.** In the mid-nineteenth century Finland was like a developing country. Since then the economy has improved considerably. Up until the 1950s, Finland's per capita GNP was lower than that of Chile, and of the OECD countries. Only in the 1970s did Finland overtake Chile; going rapidly on to approach the average of the OECD countries. In 2007 the per capita GDP was

three times that of Chile. (Pesonen & Riihinen 2002, 303; Vartia 2001) Base on the above, Vartiainen classifies Finland as a late industrializer ( 2004, 205–214)

In the beginning of the 19<sup>th</sup> century, 90 per cent of the population based their livelihood on agriculture. However, only a third of these people owned the land they cultivated. Less than 6 per cent of the landowners possessed over one-third of the country's agricultural land. This was considered a bias that needed to be addressed. Land reform in Finland was carried out during the early years of Independence.

Textile and metal industries had already begun to flourish in the 1840s. (Pesonen & Riihinen 2002, 37) The manufacturing and export of forest industry products contributed most to the development of Finland. Natural resources (trees, minerals etc.) were freely used, and nearly all the machinery was imported. The improving economy was to a great extent based on economic liberalism, which eventually led to complete freedom of trade in 1879. A strong government and improved economy contributed, in addition to international politics and the Russian revolution, to Finland eventually becoming an independent nation. (Vartia 2001)

In 1920 the economic growth of Finland was mainly based on the manufacture and export of sawn goods and paper. Forest products formed about 80–90% of total exports at that time. Raw materials were exported and machinery imported. The mining sector also played an important role during that period. Until the 1950s forestry and agriculture were, however, the biggest employers of the labour force. (Vartia 2001).

After having lost the war with Russia, during the Second World War, Finland was forced to sign a very unfavourable peace treaty which included a heavy burden of industrial goods to be manufactured for Russia free of charge. However, this seems to have turned out to be a blessing in disguise, because a solid industrial infrastructure was a result of the process, and this still contributes to ongoing industrial development. According to Kiljunen (1985, 2), industrialization was able to develop favourably during the period 1950–1980 due two contributing factors Firstly, the footwear and clothing sector flourished thanks to a high demand from the Soviet Union. Secondly, pulp and paper exports received favourable treatment in the European market.

In 1950 the share of manufacturing in overall production and employment started to rise. However, in the 1970s the country still displayed some features typical of newly industrialized countries, i.e. especially its employment structure. (Korhonen, 1998, 116) The era of manufacturing turned into the era of services in the 1980s. The role of primary production as a source of employment shrank significantly. Internationalization became an essential dimension of the Finnish economy in the 1970s. However, trade with developing countries remained very meagre. (Kiljunen 1985, 2, 314) Foreign investment stock in Finland was strictly controlled. According to a law promulgated in 1939, the entry of foreign companies into the country was limited, and their operation in the country was monitored. The situation changed in 1993 when Finland joined the European Economic Area (EEA) and further in 1995 when Finland joined the EU. In 1999 there were already over 150 foreign companies in Finland (Vartia 2001).

In 2001, the share of agriculture represented 1.6 per cent, forestry 2.4 per cent, construction 7.0 per cent, industry 32.2 per cent and services 74.3 per cent of the GDP. Nearly half of the industrial output was based on the metal and engineering industries, and about 20.8 per cent on the forest industries (Berg-Anderson et al. 2002). The major part of the services consisted of commerce (15.7 per cent), transportation (15.4 per cent) and the ownership of residences (14.0 per cent). Accommodation and feeding represented only 2.0 per cent of the total production. Their share has been increasing, however. (Vartia 2002) Capital-intensive production, raw materials and energy have gradually lost significance, and nowadays Finland is concentrating more on knowledge-intensive activities. (Vartia 2001)

The number of active farms has decreased, but their productivity has improved. (Laurila 2001, 10) The number of people employed in agriculture was a little over 5 per cent of the employed labour force in 2000. The food sector employed about 13 per cent of the total labour force. (Niemi 2001, 14) The willingness of people to work in the agricultural sector has decreased because of the low profitability of farming and uncertainty relating to future policies. In 1995 the number of productive farms was 96, 000; and this declined to 78,000 in 2000. In spite of the number of farms having been reduced, the total volume of farm production has remained approximately unchanged. (Laurila 2001, 10)

High-tech manufacturing, systems know-how, and consulting services are the assets of Finland nowadays. Finland is an information-industry society, which enjoys international success in information and communication technology, forestry products, mechanical engineering and shipbuilding. Biotechnology and medical technology have also increased their role in the Finnish economy. Credit for the success of the Finnish economy belongs to the SMEs, which currently contribute about 50 per cent of the private-sector turnover and employ 60% of the private-sector labour force. (Bioux et al. 2000) Investments in R&D have also contributed significantly to the Finnish economy. R&D has grown annually by about 10 per cent, representing over 3 per of the Finnish GNP. (Vartia 2001)

Finland experienced a severe recession in the years 1991-1993. The Finnish GDP shrank by 12 per cent during this period. The unemployment rate rose to 18.4 per cent in 1994, whereas in 1990 it had been 3.5 per cent. A fixed exchange rate, an overvalued currency, inflationary pressure, the expansion of credit, current-account deficits and asset bubbles were some of the factors that led to the recession. The financial and banking sector was most severely hit. The recession had different kinds of effects on people and organizations, mostly negative. (Kiander 2000) Another bout of recession hit Finland again in 2001-2002, when, in particular, the IT sector bubble burst; resulting in share values reducing by 70%, bankruptcies, and the restructuring of the sector.

After the recession (in 1991-1993) the economic growth of Finland has been rapid (Vartia 2001). At the present time, the economy of Finland is strong, as all the indicators in the annex 1 show. The change from the marks to the Euro has been a smooth process, and the outlook is positive.

Due to a relatively small domestic market, the exports play an important role in the Finnish economy. (Pesonen & Riihinen 2002, 250) In 2001 about 26.8 per cent of the exports of goods and services involved electronics and electrical equipment. The share of machinery and metal products was 21.2 percent, and of the paper industry, 21 per cent. Agriculture, forestry, and mining represented only 1.2 percent of total exports. (Berg-Andersson et al. 2002, 18) Traditional trade partners were the Soviet Union, England, Germany, and Sweden; but the number of trading partners has increased to include countries all over the world.

The enlargement of the EU may open up new opportunities for certain industries that are already strong in Finland (IT and telecommunications, for example); but its effects on the agricultural sector cannot yet be known. (Romppanen 2001)

The third sector, the civil society (NGOs) has a voice of its own, which adds to the level of participation in society. The third sector employed 82,000 people in 1996, which means that it is an important provider of paid work. Due to heavy taxation, informal work is still a problem, and needs to be addressed. The number of volunteers of all kinds totalled 655, 000 in 1996. Nearly half (47%) of the volunteer action was focused on culture and recreation. In relation to GNP, the expenses of the third sector were about 3.9 per cent in 1996. When compared with other EU countries, the third sector is not very big in Finland. There are, however, over 100,000 associations in Finland. (Rönnerberg 2000; Helander & Laaksonen 1999)

All in all, quoting the WB, Finland's success is based on a functioning land-market system and good cooperation between the State and the private sector. (WB 2006)

In addition to the above descriptions about the state of economic sectors in the four countries studied, below there are some tables to further confirm the impact of those tabled factors on human development index advancement. The tables are drawn from appendix 2.

TABLE 7 Average annual % growth of GDP deflator and GDP.

	Annual growth in GDP deflator		Relative growth in GDP	
	1980-1990	1990-1999	1980-1990	1990-1999
LHDICs	16,3	41,6	2,4	2,7
Zambia	42,2	56,9	1,0	1,0
Thailand	3,9	4,6	7,6	4,7
Chile	20,7	8,6	4,2	7,2
Finland	6,8	1,8	3,3	2,5

Source: WB, World Development report, 2000/2001.

Annual growth in GDP allows us to compare GDP development over time converted to constant prices at a given point in time. As long as this indicator is higher than population growth, the per capita income can still grow. In Zambia this criterion is not met, but among the LHDICs it is just met and can thus give hope that the development is taking place.



TABLE 8 Private and Government consumption.

	Private consumption (% of GDP)		Govern. consumption (% of GDP)	
	1990	1999	1990	1999
LHDICs	78	77	14	13
Zambia	64	85	19	10
Thailand	57	57	9	11
Chile	62	68	10	9
Finland	53	53	21	21

Source: WB, World Development report, 2000/2001.

Private and Government consumption as a percentage of GDP is shown in Table 5. Consumption represents demand, which in turn results eventually in supply; thus stimulating economic growth. Private consumption is calculated as the residual, after deducting all other expenditures from GDP; and therefore the figures are indicative only. (WB2000/2001, 324) Among LHDICs, private consumption is very high; indicating low government consumption, low investment and saving and possible discrepancies in statistics (WB 2006, 304) In the case of Zambia, the variation is large; suggesting that it is more random than based on regulated governance.

TABLE 9 Gross domestic investment and saving.

	Gross domestic invest (% , GDP)		Gross domestic saving (% , GDP)	
	1990	1999	1990	1999
LHDICs	14,4	18,6	6,6	10,3
Zambia	17,0	17,0	17,0	6,0
Thailand	41,0	21,0	34,0	32,0
Chile	25,0	24,0	28,0	23,0
Finland	28,0	17,0	26,0	26,0

Source: WB, World Development report, 2000/2001.

Again, the figures for Zambia and the LHDICs are poor, since investments and savings are low. This indicates that the long-term planning is weak; due to poor policies and/or the fact that these countries simply cannot afford to set aside funds for the future in investments or savings.

TABLE 10 Annual growth in industry value.

	Annual growth in industry value (%)	
	1980-89	1990-99
LHDICs	2,0	3,0
Zambia	0,8	-4,3
Thailand	9,7	6,7
Chile	3,5	6,3
Finland	3,3	2,1

Source: WB, World Development report, 2000/2001

It can be noted that in the more advanced countries the growth rates in investment, savings, and industry values are higher, in spite of a much higher starting point. These indicators are informative as predictors of the likely success of the LHDICs in their attempts to achieve improved HDI status. The minus figure in the case of Zambia is alarming.

TABLE 11 Export of goods and services. (% of GDP)

	Exports of goods and services as a percentage of GDP	
	1990	1999
LHDICs	20,8	24,0
Zambia	36,0	29,0
Thailand	34,0	57,0
Chile	35,0	27,0
Finland	23,0	40,0

Source: WB, World Development report, 2000/2001.

Exports of goods and services as percentage of GDP have developed as shown in the table.

In case of this indicator, Zambia's scores show a declining trend.

TABLE 12 Interest spread %.

	Interest spread %	
	1990	1999
LHDICs	2,2	13,9
Zambia	9,5	20,1
Thailand	2,2	4,3
Chile	8,6	4,1
Finland	4,1	3,5

Source: WB, World Development report, 2000/2001.

Interest spread (the difference between lending and deposit rates) reveals that the higher the spread the more space there is for unhealthy speculation. The spread in Zambia and in the LHDIC group is alarmingly high. The spread is clearly smaller in the industrialized countries, varying between 2–5, compared with values up to two digit figures in LHDICs. (WB 2000/2001, 304–305)

TABLE 13 Domestic credit and credit ratings.

	Institutional credit rating	ICRG risk rating
	1999	1999
LHDICs	17,9	57
Zambia	15,1	59
Thailand	48,8	74
Chile	62,6	74
Finland	85,6	88

Source: WB, World Development report, 2000/2001.

Institutional credit rating value can vary from 0 to 100. The higher the value the better. Again, these values confirm the polarization, or vicious-circle phenomenon. Another similar indicator is the ICRG risk rating, reflecting a country's risks. This scale also is between zero and 100. (WB 2000/2001, 306–307, 327) Among HHDICs, these values are clearly above 50, nearing 100, while among LHDICS they tend to be below 50 and often below 10. These indicators too, correlate with the level of property rights within a country.

TABLE 14 Military expenditure as % of GDP

	Military expenditure as % of GDP	
	1992	1997
LHDICs	3,3	2,9
Zambia	3,3	1,1
Thailand	2,6	2,3
Chile	2,5	3,9
Finland	2,3	1,7

Source: WB, World Development report, 2000/2001.

Statistics on military expenditure can be considered marginal from a development point of view, but it seems that practically all countries maintain armies that incur heavy costs. However, disregarding the possible ultimate use of armed forces, and looking at the issue only from an economic point of view, these costs can be justified because if there is demand there is also supply, which means also the addition of economic value in form of employment opportunities. The poorest countries spend proportionally more, often exceeding 3% as a percentage of GNP, while HHDICs keep the rate below 3% of GNP. (WB 2000/2001, 306–307) The situation is not very development-friendly, but could be improved if the focus were to be on peace keeping and development instead of warfare.

TABLE 15 Some energy and water related indicators.

	% of people with access to clean water	Energy cons. (Thousand metric tons of oil equivalent)	Electric consumption. (Kilowatt-hours/ capita)
	1999	1999	1997
LHDICs	42	408	129
Zambia	43	634	563
Thailand	89	1319	1,360
Chile	85	1574	2,011
Finland	98	6435	13,689

Source: WB, World Development report, 2000/2001.

These indicators increase in parallel with increases in the HDI index. This reflects both a better HDI status and also an increase in the use/ investment type of activities; improving even future HDI values through manufacturing and industrial activities. However, increase of carbon dioxide emissions can be a serious environmental treat.

Further to the economics-related tables, above, certain other comparisons are made below.

The Gini index measures income distribution or equality, on a scale of 1–100. Values indicate the degree of equality, and the smaller the Gini index value is, the more equal is the society. (Todaro 1997, 145–146, 695; WB 2000/2001) In 1990s, based on the availability in information at different years, the Gini index value was on average 41.9 over several years in LHDICs. 41.4, in Thailand; 56.5 in Chile; and 25.6 in Finland, which thus has the least inequality. It seems that equality does not impede human development.

Current account balances have been negative in the LHDICs over a period of several years. Thailand and Finland have managed to produce surpluses, but Chile frequently runs deficits. (WB 2000/2001)

A study of companies listed on the stock exchange and of stock market capitalization and of person or bodies trading on the stock market reveals that LHDICs have hardly started to use the potential available in these institutions and instruments. The potential available in these institutions and instruments, are in effective use in Thailand, Chile and Finland. (WB 2000/2001)

Development indicators (2002d, 198) regarding indebtedness categorize countries as severely indebted if external debt exceeds 220% of their exports, and moderately indebted if the percentage exceeds 132%. LHDICs are managing fairly well thanks to the HIPC initiative, whereby industrialized countries and global finance institutions are writing off considerable amounts of debts owed to them by LHDICs.

The differences in the percentage of population contributing to pension systems are remarkably big and speak for themselves. (WB 2002d, 78–79). Of the working-age population, 8% of Zambians are contributing to pension systems, 17% of Thais, 43% of Chileans and 83% of Finns.

Population density was not considered to be key factor influencing development in chapter 4.1. However, this factor does have an effect on the cost of building infrastructure; major part of which involves the construction of roads and railway networks.

TABLE 15.1 Communication related indicators

	1998	1998	1998	1998
	Paved roads (%) of total road network	Number of newspapers/ 1000 people	Number of radios/ 1000 people	Number of TV sets/ 1000 people
LHDICs	17	7	125	26
Zambia	16	12	121	137
Thailand	97	63	232	236
Chile	13	98	354	232
Finland	64	455	1496	640

Source: WB, World Development report, 2000/2001.

TABLE 15.2 Communication related indicators

	1998	1998	1998	1998
	Number of computers/1000 people	Number of internet hosts / 10,000 people	Number of telephone lines/ 1000 people	Number of mobiles /1000 people
LHDICs	2,8	0,1	6	0,7
Zambia	-	0,5	9	1,0
Thailand	21,0	6,4	84	32,0
Chile	48,0	26,4	204	65,0
Finland	349,0	1,218,0	554	572,0

Source: WB, World Development report, 2000/2001.

Much less is available in the way of communication facilities in Zambia and in LHDICS, as compared to MHDICS and HHDICS. As already noted (see chapter 4.1) this can hinder the buildup of communication circles and social capital.

Conclusion on the impact of economy on development is clear. All economic indicators above improve in synchrony with the HDIs of the four countries studied. In chapter 6.3 plot diagrams further provide evidence of the same. Diagrams compare HDI with corruption in 159 countries, with competitiveness in 122 countries and with economic freedom in 154 countries.

### **6.2.5 Development/Poverty reduction work done in the four case study countries**

**Zambia.** In this section a brief summary of Zambia's development status is given, followed by an account of the on-going poverty reduction/development work.

It is actually surprising that Zambia is poor, considering that it is endowed with considerable natural resources; water reservoirs, fertile land areas, and a big enough population to provide sufficient manpower for development work. Further, Zambia was formerly on the growth track, but after independence all indicators have declined. As indicated in this chapter and the appendices, the decline of indicators occurred when politics started to lean towards socialism, the nationalisation of major economic sectors and industries, and a one-party state.

In Zambia there is no lack of good intentions and plans (Mhone, 2004, 313). The country's circumstances are good: there are no wars, no civil unrest, and no major natural disasters to hinder development. But good plans can be implemented only if the whole population is involved and if there are educated people to realize the policies prescribed by these plans. (Mbikusita-Lewanika 1990, 67)

Poverty in Zambia is so severe that people have to use coping methods such as: eating wild food, reducing food intake, informal borrowing, relying on charity and the sale of property, petty vending, piecework and begging. In 1998 53% of children were stunted, 24% underweight and 3% completely wasted. Subsequently Zambia has been included in the informal list of "poorest of the poor" (Easterly 2002, 10)

Regular and consistent monitoring of poverty in Zambia started only in the 1980s. One comprehensive study by ILO/JASPA showed that in 1980 more than 60% of the population was poor. However, definition of "poor" varies depending on who is asked about the nature and levels of poverty. (See Chapter 2.1. definition of poverty) According to Kanbur and Squire (in Meier & Stiglitz 2001, 206-207) people considered themselves as still "coping", even if they fell under the universally-defined standard poverty line. In 1990s UNDP, WB and AfDB started regular monitoring. A distinction should be made between poverty alleviation programmes and poverty reduction. The former seek to mitigate the suffering of the poor without necessarily bringing down the level of poverty, while poverty reduction programmes try to reduce the incidence of poverty. (Sen 1999; Todaro 1997)

Since independence, the flow of aid to Zambia has increased from USD 19 million /year to USD 900 million /year. (ODI 2000, 41) This has not been enough to change the trend of decline, and therefore new approaches have been developed to enhance the measures aimed at poverty reduction. It is worrisome if all the initiatives and efforts to develop and reduce poverty come from outside in the form of international technical assistance. Maybe this is one reason for the low success rate in HDI trends in Zambia. According to Mhone (2004, 308, 312, 317, 332) Government efforts to enhance welfare have been exclusionary, minimalist, marginal, palliative, focusing on the betterment of conditions of the ruling minority, excluding the majority of the population.

Trends in the Human Development index for Zambia show a very slow growth. (See chapter 5.1) Other supporting statistics are presented in the Appendix for further reference. In the UNDP Human Development report, the ranking of Zambia has fallen below 150<sup>th</sup> position in the new millennium, having fallen from position 136 in 1996 to 142 in 1997 and 146 in 1998. In the period between 1975 and 1997, Zambia was the only country where most of the key indicators were lower than in the 1970's. In 2005 the country's ranking was 166. Only 11 countries had lower ratings. (UNDP 2005)

Although the HDI is the index used to categorize countries in this study it may be added that Zambia does not rank any better when other indices are applied; for example the Gender Development Index, (GDI) and the Gender Empowerment Measure, GEM; or the Human Poverty index, HPI (as introduced by UNDP in 1997). (UNDP 1997; ODI 2000, VI) UNDP supports the above findings by stating that there is no doubt that over the last 35 years life has become increasingly difficult for the average Zambian. Another measure, the Inequality-Adjusted Human Development Index (IAHDI), in spite of its limited use, further reveals that equity has been a critical issue in Zambia. The IAHDI adjusts the HDI using of the GINI Coefficient. (UNDP 1997; 1999/2000) Further, Freedom House awarded Zambia a score of 5 for political liberties and 4 for civil liberties on a scale 1-7. (1 =most free, 7 = least free). (Burnell 2001, 132)

Further, the SADC Regional Human Development Report, 1998, introduced an index of Democratic Governance based on GEM, political, institutional and economic components. On this index, country ranking shows a strong correlation between good governance and human development. This index does not favour Zambia at all, relative to other Sub-Saharan African countries. (UNDP 2001a)

At the end of the 1990's, the WB and IMF made some of their financing conditional on a Poverty Reduction Strategy being planned, documented and implemented. Zambia initiated the required process in 1999, and the first draft came out at the end of 2001 (MOFED 2001). Simultaneously, the civil society of Zambia, namely, the umbrella organization of NGOs was asked to contribute their views on the same subject. The PRSP of the Zambian Government is a combination of following the sub-sector papers: governance, tourism, industry, agriculture, mining, water, energy, transport, education, health, gender, and the environment. (MOFED 2001) The document looks impressive, but a close analysis reveals that proposals and explanations and words such as "enhance,

strengthen, improve, empower etc” appear in the passive form, without identifying who is supposed to realize these activities. It seems as if people are seen as objects only, and not as agents; and therefore these words do not rise above the level of rhetoric.

The above-mentioned government document proposes interventions for the period 2002–2004, and gives the following reasons for the ongoing poverty: Low productivity of the subsistence farmers, failed economic performance, bad planning and governance, a heavy debt burden, dependence on foreign aid, HIV/AIDS. The proposed interventions are: promote income generation, investment in human capital, giving special attention to basic education, health, access to clean water, and safety nets. For economic growth the document proposes a revival of exports, especially in the mining sector, increased tourism, and shifting agriculture to the production of crops for export. For the growth to occur, roads and railroads have to be improved, the energy sector infrastructure has to be rehabilitated, and the irrigation potential improved. Further, the document goes on to say that considerable debt relief is needed to sustain the balance of payments; and to ensure that high quality foreign investors are attracted to the country. (MOFED 2001)

Subsequent chapters of the document cover the Macroeconomic situation and fiscal policy, the consultative process in the PRSP, governance, tourism, industry, agriculture, mining, water resources, energy, transport, education, health, gender, and the environment. The PRSP process is summarised in the form of a log- frame which revolves every three years. The PRSP is also synchronized with other development efforts like: Zambia vision 2025, the public investment programme (PIP), the Medium term expenditure framework (MTEF) and the annual budget. All these development efforts are initiated by the World Bank. However, they will be executed, at any rate, under the leadership of Ministry of Finance and Planning. (MOFED 2001) There is an elaborate process for planning, monitoring, and evaluating of all these processes, which includes improved statistics produced by the Central Statistics Office and Poverty Programme report (PPR) published every two years. This report is supposed to enable the repetition of successful interventions, and learning from mistakes to take corrective action.

According to the ODI (2000, 53), most of the donors and cooperating partners do believe in the “trickle-down” effect of these aid interventions. However, there is not much evidence for this; which would indicate that foreign aid is not enough to generate sustainable development in Zambia. (UNDP 1999/2000; 2002) The World Bank’s “presence” exceeds its impact, and the bank’s former economist, Wolf, blamed the WB for supporting Zambia’s biased policies already in the 1970 (Wolf 2004, XIII). On the other hand, the Government has announced that it can fund only 3–4% of the PRSP funds that are required, and thus will depend on the international donor community (Zambia 2002).

In conclusion, the people who have worked on these problems over the past decades have not succeeded. (Mhone 2004, 309, 331) A new generation of well educated people is needed to improve the situation. Further, a more active

leadership role, jointly with international partners, and aid agencies, could improve the situation.

**Thailand.** Thailand is not a poor country; but can, rather, be considered to belong to the “Tiger States” group of countries (Muscat 1994). Muscat defined “Tiger state” as a newly- industrialized country in the 1980s. All Tiger States belong to middle- or high- HDICs, but the process of raising itself from the low group has not always been easy for Thailand. In 1997 the East Asia crisis hit Thailand very hard. The liberalization of the financial markets resulted in a steep reduction of all financial indicators, and recovery is still going on. Our tour through governance, education, the economy, and development work provided evidence for the view that Thailand was able to cope with the problem, and thus deserves her place among middle HDICs.

Over the past three decades, Thailand has achieved considerable progress in the field of human development, especially in the area of income and education. In the 35-year period from 1961, when the first National Economic & Social Development plan was launched by the Thai government, to the end of the Seventh National Economic & Social Development Plan, per capita GNP increased 47-fold; from 1600 baht – a figure that at the time was below the level of several Sub-Saharan African countries – to 76,435 baht at the end of the period. (UNDP 1999b)

This income growth translated into sharp reductions in the level of poverty. During this period the number of people living below the poverty line was more than halved, from 17.9 million to 6.8 million (Castells 2000b, 82). The incidence of poverty, defined as the percentage of the population living below the poverty line, fell from around 33% in 1988 to 11% in 1996. Thailand’s HDI has recorded a steady improvement and Thailand now belongs to the “medium” human development group. Thailand’s GDI rating of 0.755 in 1999 is better than the average figure of 0.63 for all developing countries; and a world average of 0.700. The world ranking was 66<sup>th</sup> position. (UNDP 2001a, 142)

Thailand is a MHDIC; and accordingly, with regard to “Poverty Reduction Strategies”, the World Bank, IMF and UNDP have not insisted on the drafting of PRSPs. Therefore activities to reduce poverty can be defined as development work. Due to the above, and the rapid growth of the Thai economy during the 80’s and up until the mid 90’s, the government had little interest in focusing much attention on poverty reduction programs. Incomes were growing rapidly during this period, and people migrated in thousands from the poor areas of the Northeast to Bangkok. This improved poverty statistics in the Northeast. However, for those who did not find a better life in the metropolitan area, statistics did not mean much; they had to continue to struggle with poverty in Bangkok. (WB 2001)

As might be expected, in view of Thailand’s status as a member of the of MHDIC group, development work is carried out mainly by the Government, the NGOs and by the people themselves. International community involvement, in the form of development assistance, has declined considerably decade after decade. In the new millennium it is below 1% of GDP.



An appropriate legal framework is a prerequisite for development in order to turn development plans into reality. The first development plan of 1961-1966 was designed to raise the standard of living. The new Constitution promulgated in 1997, and the 9<sup>th</sup> National Economic and Social Development Plan (2002-2006) are examples of such new human development tools in Thailand. (NESDB, Thailand 2001)

Complementing the Constitution, the Eighth Plan (1997-2001) prepared by the National Economic and Social Development Board (NESDB), the Thai planning agency, emphasized an agenda of "people-centred development". A widely consultative process was initiated, seeking inputs from local communities and non-governmental organizations in the formulation of the Plan. The result was a document focusing on the poor and under-privileged, and with initiatives designed to empower local communities through decentralization of government, public participation in the Government's decision-making process, increased transparency and improved governance, and the fostering of local capabilities and local self-reliance. (NESDB, Thailand 2001)

Development and alleviation of poverty have been recognized by the Thai Government as a high priority area in the Ninth National Economic and Social Development Plan. (Warr 2005, 55) The Plan also included a target: to reduce poverty to the point where it affects less than 10 percent of the population by 2006.

To achieve the above objectives, each of the major strategies proposed by the Plan incorporates poverty-reduction measures as an integral element. Development and the reduction of poverty are to be accomplished by the following simultaneous means:

- Empowering civil society.
- Improving the capability of the poor and ensuring social security for the poor by encouraging the formation of occupational and/or saving groups among the people.
- Adjusting the public administration system to correct structural impediments that cause poverty.
- The Constitution requires the State to devolve the delivery of social services and financing on to local authorities. The aim is to ensure improved local accountability and transparency. (NESDB, Thailand 2001)

The government safety-net system in Thailand can be divided into three categories: cash transfer programs; in-kind transfer programs; and income-generation programs.

A compulsory social security system was introduced less than ten years ago when the government passed a law requiring large establishments (with 20 or more workers) to participate in the state-run social security system. The system, which covered maternity benefits, illness and death benefits in and out of the work place, and limited disability benefits, was expanded late in 1998 to include pension and child allowance schemes for private-sector employees. Public employees are covered by the Civil Servants' Pension Scheme and the

Civil Servants' Medical Benefit Scheme. However, the number of Thai workers who are covered by these public and private social security systems is still very small, although it is growing. At present about 15% of Thai workers are covered. (Pierson, 2004,230; UNDP 1999b; NESDB, Thailand 2001)

Based on the 1997 Constitution and the 1999 Education Act, the Government is determined to launch educational reforms with the aim, not only of raising educational standards, but also of developing Thailand into a knowledge-based society and economy.

At the NGO and community level, a number of initiatives are being implemented. The empowerment of Communities and Civil Society Organizations (CSOs) is playing an increasingly important role in providing social protection at the community level. National The Social Policy Committee (NSPC) is another example of a Government initiative. Its mandate is to address social issues in Thailand. (NESDB, Thailand 2001)

19 provincial NGO Coordinating Centres have been established, which coordinate the activities of NGOs working on social welfare and safety-nets in each province. The Urban Community Development Office (UCDO) was established in 1992 as a special revolving fund to support urban community development activities and provide low-interest loans to community organizations for emergencies, housing, and income generation. A major step was the establishment of the Community Organization Development Institute (CODI), which was approved by the Cabinet on July 5, 2000. The UCDO has been merged into the CODI. The CODI will be a key institution, bridging the gap between Government and civil society organizations (WB 2001, NESDB, Thailand 1-85).

On the level of families and individuals, one key activity related to development and poverty reduction is the fostering of self-reliance and establishment of safety nets. Thai families provide substantial and enduring safety-nets for each other and within the family, and thus still use the so-called MUANG, which in Thailand stands for "Extended family life-support system", so common in the developing world. Through cash remittances and gifts, the poor in particular have benefited on a net basis from the generosity of friends and family, and this pattern becomes more evident during any crisis. Insurance-based mechanisms, rather than a purely transfer approach, may help sustain self reliance and mutual assistance, and will gradually take over as the number-one source of safety support for the needy. (Goman 2000; Muscat 1994)

To conclude: work on poverty reduction has become development work, which has a more dynamic character. If development work can be said to resemble "tiger leaps" forward in Thailand, poverty reduction is somewhat "emergency-nuanced"; like suggesting catching up from behind. There is no longer any dependency on international assistance; and current legislation, and the various actions taken resemble those development tools and activities that are in use in high HDICs.

**Chile.** Chile has improved her HDI status in the period 1975 to 2006; and this progress has taken place in every region of the country during this period. This

has reduced the gap between the more developed and less developed regions of the country. (UNDP 2005)

According to the UNDP, however, there are serious problems with regard to personal safety. Mistrust in personal relationships, the deficiencies of institutions in charge of social security, and difficulties in giving sense and orientation to current new processes are some of the insecurities suffered by the Chileans. The prerequisites for sustainable Human Development in Chile include an improvement in the quality of social life, and a genuine desire to achieve a more egalitarian society. (UNDP 2000b, 2005; WB 2006) During the 1980s Freedom House awarded Chile a freedom ranking of 11, on a scale from 2-14. (The lower the ranking, the freer is the country evaluated). (Auvinen 1996, 231) In 2006 Freedom House awarded Chile a score of 1 (Freedom House 2006).

The proportion of the population living in poverty fell from 45 % in 1987 to 22% in 1998, according to the Caracterización Socio-Económica Nacional (Casen), while the number in extreme poverty fell from 17% to 5%. The Casen survey defines households as poor if their income is insufficient to buy two basic food baskets per head per week. Those unable to buy one basket per head are considered as living in extreme poverty. The reduction in the incidence of poverty is even higher in urban regions. Progress has also been achieved with regard to drinking water and the sewage system, improvements in the quality of housing, sanitation and paved roads, in public education and public health services. With regard to drinking water, the government has established a subsidy system, whereby water bills exceeding 5% of household income are covered by the government. (WB 2002f, 165) Child mortality has decreased from 33 for each 1000 born in 1980, to 11 in 1995, and malnutrition in children below six years old has declined by 3.8%. Progress in reducing poverty has actually been more substantial than might appear from the results of the surveys. Income distribution has improved, compared to the situation three decades ago. (WB 2002f; UNDP 1996, 2000)

The government's declared priorities for 2000-2006 are to eradicate absolute poverty completely and to improve educational and healthcare standards. It has also launched a modernization program for education, and is making a serious effort to increase opportunities for the poorest 1.2 million people, by widening their access to education, training, healthcare, housing and basic infrastructure, and by providing support for micro-entrepreneurs.

There are 83,386 registered social organizations in Chile (UNDP 2000a). This is equivalent to equal 56 associations for every 10,000 inhabitants. Thus, the country seems to have a wealth of associations. The activities of these associations are focused on economic issues, health, education, housing-related issues, neighborhood-related interests, and personal relationships and social activities.

Chile has an extensive system of state run welfare programs, including social security, education and health. Further, government-sponsored social pension system has been introduced to bridge the gap for those people who have not been able to secure pensions related to their record of employment. (WB 2000/2001, 154) In addition, Chile was the first to privatize social security

programs, to supplement its state-run programs. (Mesa-Lago, 2004, 175, 178; Hall & Midgley 2004, 254) Chile deserves to be called a pioneer in social policy reforms, due to the freedom that people have to select between government sponsored welfare programs and private programs (Mesa-Lago, 2004,183)

To summarize, Chile's spending on development and poverty reduction is comparable in terms of its relation to the government's resources, to that of OECD countries. It ranges to proportions similar to those spent by OECD countries (Loc.Gov 1994). It seems that Chile rivals the industrial nations, not only as regards its expenditure in these areas, but also as regards the quality and appropriateness of this expenditure.

**Finland.** Finland is ranked 13<sup>th</sup> on the HDI, and its score falls between those of Switzerland and Germany. Finland's HDI value in 1997 was 0.913. Finland, with other 44 countries, belongs to this HHDIC category. Because of changes in methods of data collection, HDI values and ranks change from one year to another. Finland was ranked 6<sup>th</sup> on the HPI list, with a value of 11.9 % in 1997. (UNDP 1999a) The UNDP Human Development Report also includes information about gender disparities in different countries. The Gender Development Index (GDI) and Gender Empowerment Measure (GEM) are examples of measurements made in this area. Based on both of these measures, Finland was ranked 13<sup>th</sup> in 1997. The GDI value of Finland was 0.908 and GEM value 0.737 in 1997. This seems to indicate that men and women have fairly equal position in Finnish society. (UND 1999, 127-246)

By law, municipalities are obliged to provide their residents with services, especially health services. So as to be able to provide these services, local authorities tax their populations of their various areas. (Eurydice Finland 2001, 12) Due to the high number of municipalities, administrative costs are duplicated. Further, a strong movement from the countryside to urban areas and a high unemployment rate lead to the danger of polarization into successful and unsuccessful municipalities. (Ministry of Social Affairs and Health 2001, 1)

The Finnish welfare system can most easily be described in terms of its effective social security, education, and income-transfer systems. Finland achieved the status of "Welfare State" in the 1970s. (Pesonen & Riihinen 2002, 50) All citizens are supposed to be treated equally. This became possible when policies were changed from "marginal" social security based on means testing to "institutional" social security based on equal treatment and minimum living standards for all. Means testing is defined in this context as the possibility to reduce benefits for those who can manage without them. (Ritakallio, 1994, 119; Ministry of Social Affairs and Health 1999, 1) Public spending took about 47% of the GNP in Finland in 1999. The major part, i.e. about two-thirds of this was spent on private services (like education and health care) and income transfers (like retirement allowances). About one-third was spent on collective services (like national defence). (Kiander, Kröger & Romppainen 2000, 83, 119-121)

Finland is an affluent, highly industrialized, country, where so-called 'extreme poverty' is not common. (Ministry of Social Affairs and Health 1999, 1)

According to Ritakallio (1994, 126) Finland had the leading position in reducing poverty in 1980s in Europe. Despite this, there is room for improvement. The greater part of the population is doing well financially, but not everyone is. Competitiveness, the stability of the financial system, and a balanced national economy have often been the focal point of Government attention. The Hunger Group of Finland (1999, 12) has made a list of positive and negative aspects of Finnish society. On the plus side the report lists: the Nordic welfare system, social order, a comprehensive system of public services with a wide coverage, a multilevel system of social security based on Finnish nationality, a society based on equality, where the basic rights of citizens are respected; an even distribution of income, the maintenance of basic security. According to the same report, issues requiring improvements are: the high unemployment rate; problems related to social inequality; polarization within population groups; increasing differences between municipalities, which jeopardizes the equal availability of basic services and support to all citizens; and increasing violent criminality.

Finland has profited from the consolidation measures of its economic policy. Wage solutions, fiscal policy, strong investments in research and development, the implementation of well-directed structural policy measures (education, tax relief, income transfers, the privatization of public utilities, etc.) and other similar measures have all supported the development of the Finnish economy. (Hjerppe, Imakangas & Voipio 2000, 4-5) A broad and comprehensive system of social protection has also had direct or indirect effects on the economy. Health should always be taken into account in decision making. (Ministry of Social Affairs and Health 2001, 1-2)

According to the OECD economic outlook (2001, 88-89), the Finnish authorities should avoid relaxing fiscal policy in order to support long-term budgetary objectives. The OECD report also states that structural reform measures, that would delay retirement and provide better incentives to the unemployed to find regular work, are needed. OECD reemphasized there that the central government should commit itself to promoting competition in areas where private provision is possible. Local governments should make more use of outsourcing.

In conclusion, it can be said that although at times financial constraints make future social services unpredictable, the social security system is extensive enough to guarantee dignity for all. According to Pesonen & Riihinen (2002, 215-216), the aim of the Finnish welfare system is decommodification. Here, decommodification is defined as a process of viewing utilities as an entitlement rather than as a commodity that has to be paid or traded for. This would assist the efforts to reach freedom, freedom "from" and freedom "to". High quality "social capital" in Finland contributes to this process. (Pesonen & Riihinen 2002, 274)

Conclusion on the impact of development/poverty reduction work on development can be made that the improved HDIs and years of introducing selected social insurance programs coincide with exception of Chile, where some programs were introduced before Finland. However, in 1930s they were

still fairly modest compared to levels of social policy today and human development in broader terms.

TABLE 16 First Introduction of Social Insurance Programmes.

	Work Injury	Sickness and maternity	Old age, disability, death	Un-employment	Family allowance
Zambia	1929	1973	1965	-----	-----
Thailand	1972	1990	1990	1990	1990
Chile	1916	1924	1924	1937	1937
Finland	1895	1963	1937	1917	1948

Source: Pierson, C. 2004, 237.

Based on the table above, this chapter and frequently appearing evidence, Zambians are still poor having to rely on self-help and relatives. In Thailand and Chile welfare and related programs are on the increase while Finland has recently been reversing some welfare programs due to economic constraints and policy reasons.

### 6.3 Thematic summary comparison of the four case studies and up to 177 countries

The descriptive and comparative case studies described above clearly show large differences between the four countries studied. Governance, education, property rights, economy, and other development-related issues considerably improve when moving from Zambia through Thailand and Chile to Finland. I revisit the four case studies summarizing the major themes in this study and then add some scatter plot diagrams to further illustrate the importance of these factors.

The added key indicators in the scatter plot diagrams, map values of up to 177 countries highlighting the four selected countries in relation the HDI index. These indicators are: corruption index relevant to governance, education index, competitiveness index relevant to property rights, economic freedom and GNP relevant to the paragraph concerning economy. Further, scatter plot diagrams are also added on health expenditure and population growth. They give additional emphasis to the HDI ranking order of the selected four case study countries.

Scatter plots highlight the relationship between the two quantitative variables by plotting the actual values along the two axes. The resulting cloud reveals the relationship between the variables. A fit line can then be added to scatter plots to help to discern the relationship shown in the plots. There are several methods available to fit lines to the points in a scatter plot. Since the data and the resulting clouds reveal nonlinear relationship between the two

variables, a nonparametric local linear regression (LLR) curve (i.e. smooter) is selected and added to the scatter plots to improve visualization of the relationship between the variables. (Simonoff 1996)

## **Governance**

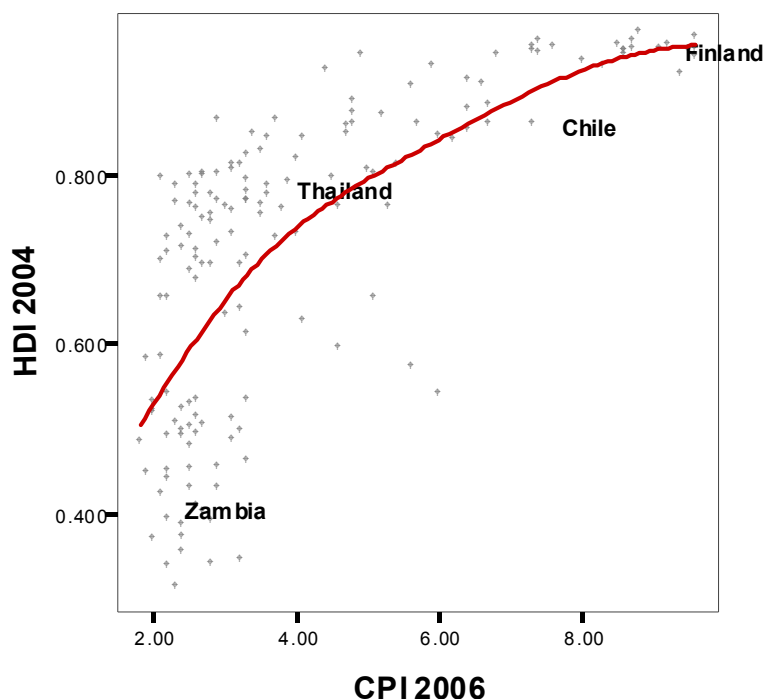
Revisiting the four case studies, the following conclusions can be drawn. In the case of Zambia, the study reveals that the governance framework is in place, just as in countries in higher HDI categories. Therefore the quality of governance is determined by the people manning the important posts and by the quality of work that these people produce. However, the dual system exercised by the chiefs make the system more complex so that it is more difficult to achieve good governance within the framework of the existing institutions. Thus the reason for Zambia's persistent poverty and low HDI rating is most likely to be found in the dualistic system and in the people manning the governance posts, i.e. in positions of authority. The Zambian model is widespread in Africa, where more than 80% of the low HDI countries are.

In the case of Thailand, the governance framework is also in place, and is given additional impetus and glamour by the highly-respected monarchy. As stated in the case study, Thailand's governance is considered to be good, but somewhat soft; which is manifested in the lax implementation of rules and procedures, but counterbalanced by numerous bloodless coups. Thus, there seem to be authoritarian and "soft" ruling periods that follow each other in cycles. With regard to governance, "soft" is not the opposite of authoritarian.

The study of Chile reveals that Chile has experimented with conservatism, socialism, and dictatorship in order to arrive at the prevailing democracy which has facilitated her rise to her present high HDI category. Her record as the least corrupt country in Latin America has supported her upward progress.

Finland finds herself at the top of many governance-related global indexes, like those which measure corruption, property rights, and democracy. Her governance institutions focus on facilitation and on cooperation with the private sector and the third sector.

The picture below on corruption vs. HDI further emphasises differences in corruption, which so much is reflected in the quality of governance.



PICTURE 1 Relationship between HDI and corruption, CPI, of 159 countries highlighting the four selected countries.

Source: Appendix 2; Transparency International 2006.

Higher the corruption index the less corruption there is.

The corruption index is based on data from 14 sources from 12 independent institutions. It measures frequency of corruption and sizes of bribes.

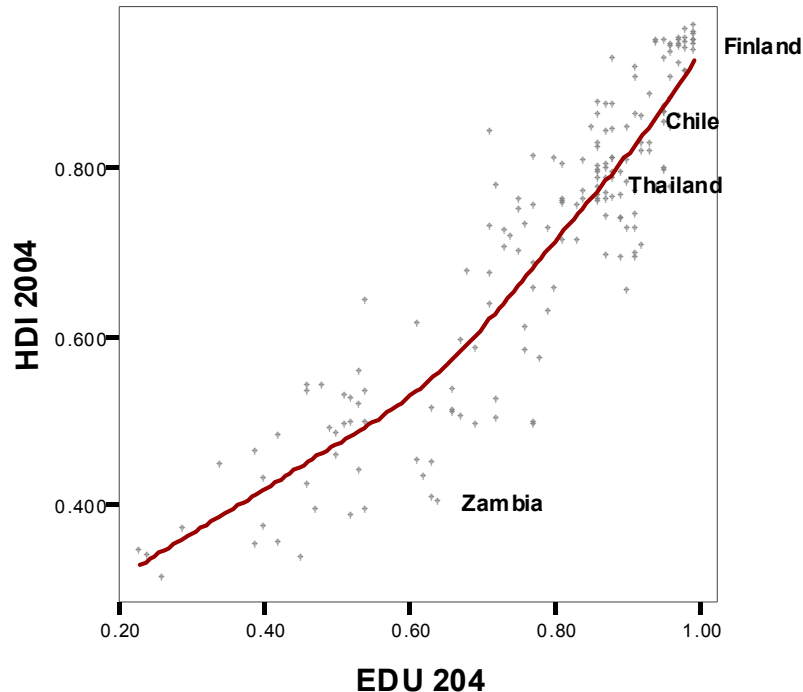
The picture clearly shows that the less corruption there is, the higher is the HDI index.

## Education

In Zambia, the problem of implementing compulsory basic education is slowed down by infrastructure problems and by illiterate rural farmers, who still prevent their children from going to school in order to keep them working on the farm. Thailand and Chile have fully acknowledged the importance of education and are proceeding accordingly. Results are emerging at an accelerating pace. Finland has been classified as the global number one as regards its educational achievements. The review of the available scholarly research and the strategy-level discussion support this conclusion. Program for International Student Assessment of OECD, PISA, is one example of this. However, participation to this assessment is still limited to mainly OECD countries and LHDIs are excluded. All the above-mentioned considerations are reflected in the HDI education-related component scores.



The scatterplots reflecting education index in the picture below do not leave doubt about the importance of education.



PICTURE 2 Relationship between Education index and HDI in 177 countries, highlighting the four selected countries.

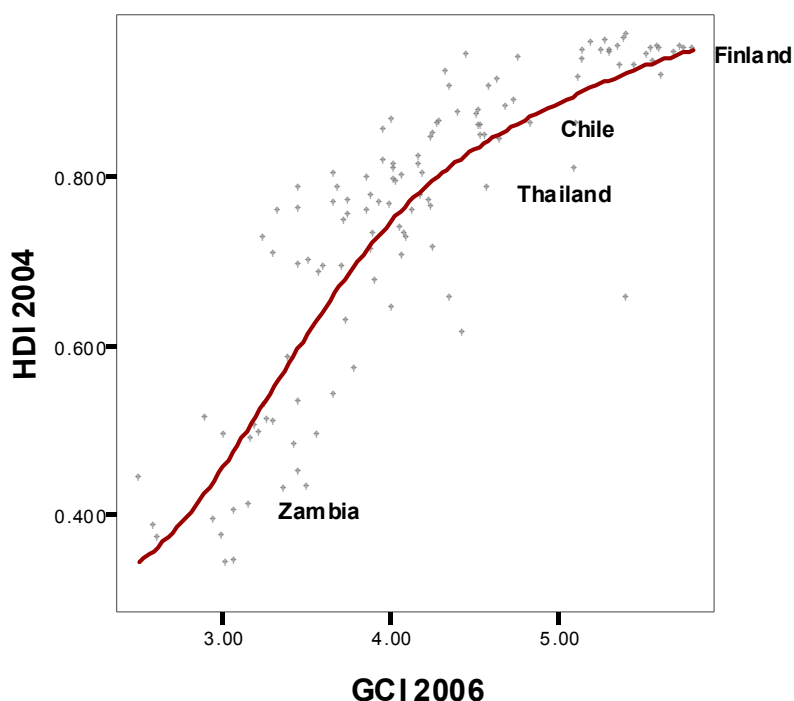
Source: Appendix 2; UNDP 2004.

This index is the same as the one used in the composite HDI index

### Property rights, land ownership

In Zambia more than 50% of all land tenure is customary, and the most of the rest is leasehold, which status does not guarantee full property rights either. This system is in use in most African countries, which make up more than 80% of the LHDICs. As observed in the case of Thailand, a massive land reform program has been going on since 1984, granting title deeds in millions; and the process is about half-way through and still continuing. Over the same period, development indicators have improved. In Chile land reform started in 1974, and the whole country is subject to a system of land registration and title deeds. This was a corner stone in the succeeding economic miracle. In Finland the land market had already been freed in 1918; and by the early 1950, a system of land registration with up-to-date title deeds was in place. Land legislation and a fairly equal system of land distribution facilitated Finland's positive development trajectory. This was achieved by giving tenants and/or cotters the priority to buy out their plots and farms.

The competitiveness index in the picture below has rule of law dimension index built in and thus measures the level of property rights.



PICTURE 3 Relationship between competitiveness and HDI in 122 countries, highlighting the four selected countries.

Source: Appendix 2; World Economic Forum 2006.

This indicator also clearly illustrates that the higher the competitiveness, the higher is the HDI index.

Competitiveness index is a measure with scores from 0 up to 7. It is based on three pillars: these are A: Basic requirements, B: Efficiency enhancers, C: innovation.

Pillar A is a combination of institutions, rule of law, infrastructure, macroeconomics, health and education.

Pillar B consists of higher education, goods market, labor market, financial market, technical readiness, market size,

Pillar C considers business sophistication and innovation.

Another index measuring property rights is the Rule of Law Index-Kaufmann et al. This index is one of six indices developed to measure governance and especially property rights. It draws 194 different measures from 17 different sources by 15 different organizations.

The choice of units ensures that the estimates have a mean of zero, a standard deviation of one and a range from -2.5 to 2.5. A higher positive value indicates greater rule of law.

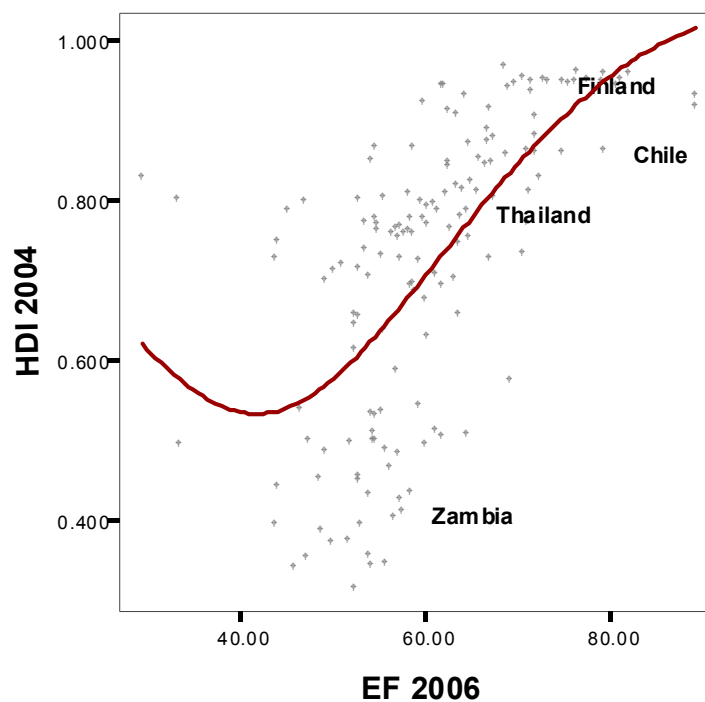
The year 2002 index values of 194 countries scores Finland as number 2, with the score 1.99 second to Iceland with 2.00. Chile scores 1.30, Thailand 0.30 and Zambia -0.52.

## Economy

Revisiting the case studies, it appears that Zambia has a narrow economic base but was one of the most prosperous countries in Africa until decline started in the 1970s due to nationalization. Fungibility and rent-seeking persist. Due to poor property rights the informal sector constitutes as much as 80% of people's economic activity. These problems, in addition to the "resource curse" apply to many other LHDICs in Africa, as well as being part of the explanation for low levels of development.

Thailand, on the other hand, has managed to advance thanks to selective protectionist import substitution, export orientation, diversification, and opening up to globalization. The same applies to Chile and Finland, where governments have with consistency practiced sound economic and fiscal policies. Both countries have also given added stimulus to the economy through good cooperation between the State and the private sector.

Impact of Economic freedom on HDI is very big as the following picture illustrates.



PICTURE 4 Relationship between HDI and economic freedom, EF, of 154 countries highlighting the four selected countries.

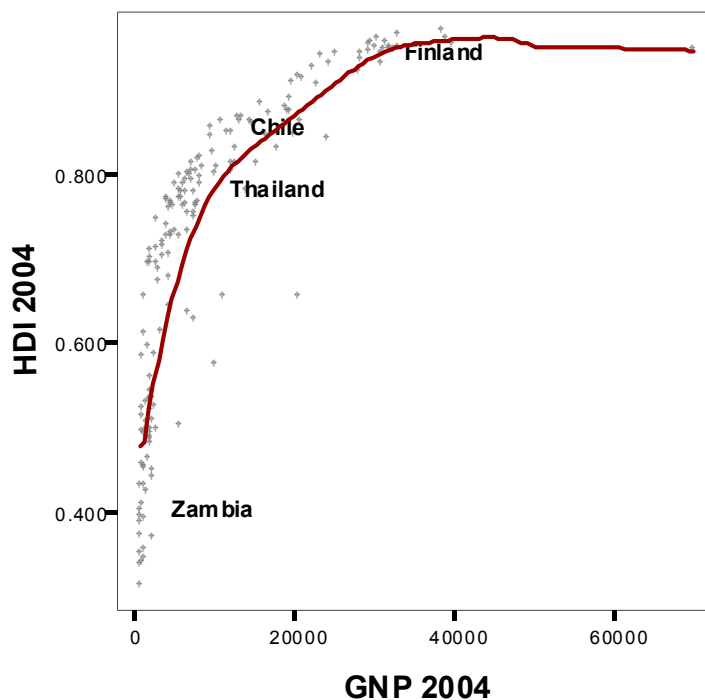
Source: Appendix 2; The Heritage Foundation 2006.

Economic freedom is combined equally weighted measure between 0-100 of ten freedoms. These are:

Business freedom, trade freedom, fiscal freedom, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption, size of government and labor freedom.

One conclusion is that the higher the economic freedom, the higher is the HDI index. This is one index where the ranking of the four case study countries change. Chile scoring the highest index value.

Picture on the relationship between Gross National Product and HDI further strengthens the ranking order of the four countries.



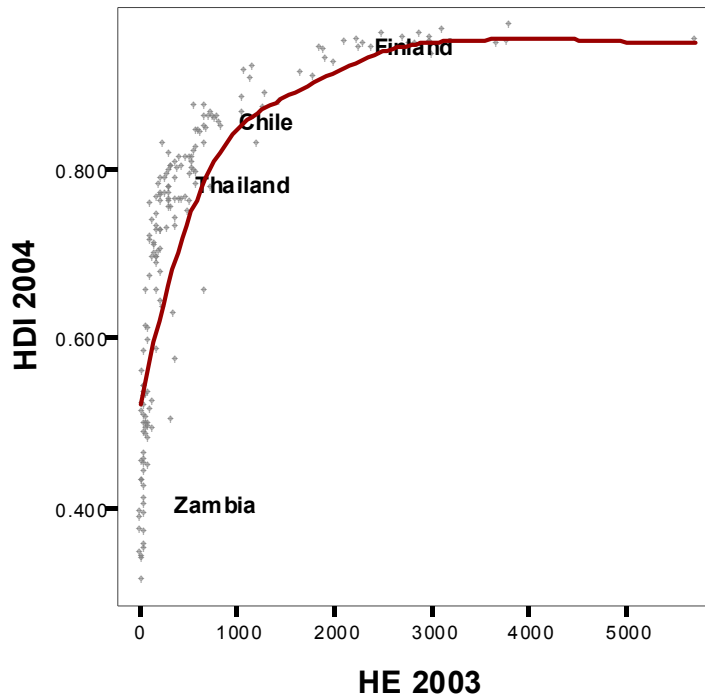
PICTURE 5 Relationship between Gross National Product per capita, GNP, and HDI in 172 countries, highlighting the four selected countries.

Source: Appendix 2; UNDP 2004.

The higher the GNP, the higher the HDI index is. However, it seems that high HDI indices can be achieved with medium high GNP values. GNP is measured as PPP US\$.

The highest GNP value per capita belongs to Luxemburg and explains the curvature of the smooter local linear regression line.

Health Expenditure and Population growth and vs HDI correlation is demonstrated in the pictures below



PICTURE 6 Relationship between Health Expenditure per capita and HDI in 175 countries, highlighting the four selected countries.

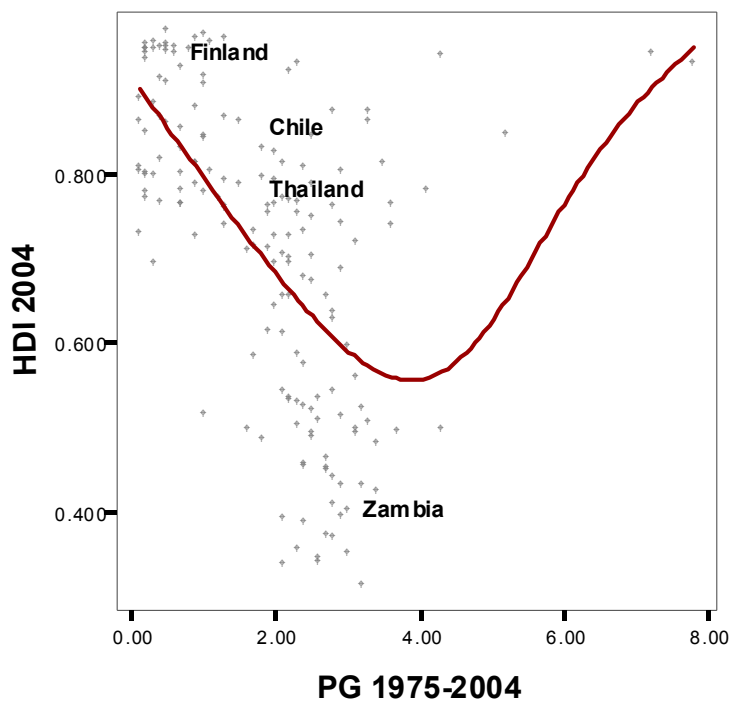
Source: Appendix 2; UNDP 2003.

Health expenditure is measured as PPP US\$.

The picture shows that high HDI values can be achieved even with fairly modest health expenditure. This suggests that bad health is more of a consequence of poverty and low HDI than a prerequisite.

The non linear curvature of the local linear smoother regression is explained by the extreme value of the USA.

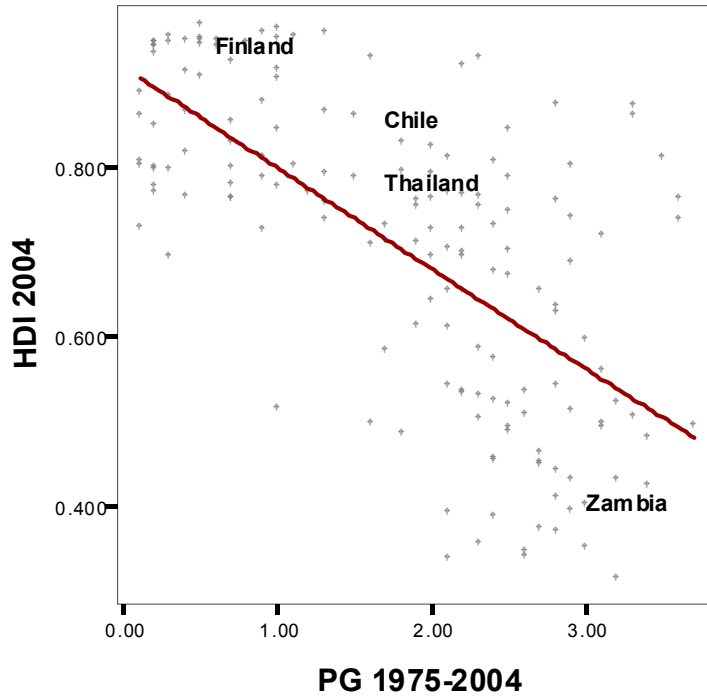
## Population growth vs HDI



PICTURE 7.1 Relationship between population growth (%) and HDI in 177 countries highlighting the four selected countries.

Source: Appendix 2; Population growth is measured as annual percentage growth during 1975-2004. The extremely high population growth values represent countries where the growth is a result of immigration more than high birth rates. Without that distortion of the trend, the lower the population growth is, the higher is the HDI index.

The extreme PG values have been removed in the picture 7.2. Removed countries and their respective population growth rates are UAE (7.2%), Qatar (5.2%), Djibouti (4.3), and Saudi-Arabia (4.1%).



PICTURE 7.2 Relationship between population growth (%) and HDI in 173 countries highlighting the four selected countries. Four countries with extreme values removed.

Source: Appendix 2

### 6.4 Concluding remarks on the four case studies; from themes to country focus

The table below shows indicative scores of the development factors in each of the case study countries according to their impact on development of the HDI index.

- Scale:
- ++ Considerably enhances HDI index
  - + Enhances HDI index
  - +/- or Does neither hinder nor enhance HDI index
  - Hinders HDI improvements
  - Hinders considerably HDI improvements
  - N/A Not applicable in the context of this research paper.

Country	Zambia	Thailand	Chile	Finland
Factor				
Governance	--	+	++	++
Education	--	+	++	++
Property rights	--	+	++	++
Economy	-	+	++	++

continues

Long duree factors				
geography	N/A			
climate				
Auxiliary factors				
culture	+	+	+	+
religion	N/A			
colonialism	-	N/A	+/-	+/-
security	+/-	+/-	+	+
health	-	+/-	+/-	+/-
aid	++	+	N/A	N/A.
communication	-	+/-	+/-	+/-
globalization	+	++	++	++

**Zambia.** Improved governance, property rights, and education; and the encouraging of private economic initiative would be needed to qualify Zambia for the higher categories of the Human Development Index. Thus, this case study on Zambia is in line with the research review and strategy level discussion. Further, when action plans designed to bring about these changes are drawn up it should be clearly specified who is responsible for implementing any particular plan. This could be called Aim and Name planning, to make sure that the plans made really are implemented.

Todaro (1997, 247) has written that it took Europe 150 years to develop to present-day levels. It seems that Zambia, in spite of her present poverty, is on the same path of development, having covered a considerable distance “uphill”. The terrain can change to “downhill” and an improved quality of life, as measured by HDI, but requires hard work and that the present peaceful circumstances, international support, and engagement in globalization are allowed to continue.

**Thailand.** In Thailand, governance can be classified as at least reasonable, if not good (Todaro 1997; Easterly 2002; Muscat 1994). With regard to governance and politics, Thailand has always leaned towards the right, and socialism has never won any major foothold. Numerous coups in the past have somewhat disturbed the development process. However, they have been mostly bloodless, and have not interrupted normal life, or development, too much.

Thailand has also taken positive action on education. Already at the beginning of 20<sup>th</sup> century, basic education (9 grades) was made compulsory; and now a further three years of free secondary schooling has also been declared compulsory. This has contributed a great deal to Thailand’s economic development.

Property rights are being worked on as well. Land registration is being extended and title deeds are being issued with the help of the World Bank at a rate of hundreds of thousands of deeds per year; bringing formerly “dead” capital to life.

Thailand is an active trading partner on the world market, based on a growing industrial entrepreneur base. Further, decentralized governance, active communities, and NGO’s bring more versatility to Thai life.



Thais seem to be free to make their own economic and developmental choices. Muscat agrees with this view (Muscat 1994, 232). Thai people practise their tolerant Buddhism and enjoy their rich cultural heritage; they go to school and thus equip themselves with knowledge and skills for life, they engage in entrepreneurship and participatory social activities and seem to be happy world citizens, avoiding calamities and problems. However, two areas requiring improvement are urban pollution and gender equality (UNDP 1999b).

It is reasonable to be optimistic about Thailand's future (Muscat 1994, 291; Todaro 1997, 568). It seems that the country is on the right track for further growth, prosperity and well-being; and is moreover, moving in these directions at very respectable speed.

Comparing this case study of Thailand with the one of Zambia, there is a remarkable difference in the status of factors related to governance, education, property rights, economy, trade and entrepreneurship. These findings strongly indicate that these issues are the key to human development and thus are answers to my research question.

**Chile.** Positive results have been achieved by government programs designed to address social problems; by increased social services, economic improvements, the structural reforms initiated in the 1970's, privatization, market liberalization and the transition to democracy; as well as by the country's success in achieving macroeconomic stability.

According to Martinez and Diaz (1996, 7) Chile's success story was made possible by the élite. They it was who controlled the economy over decades; and they were sufficiently far-sighted to allow the economic revolution to take place. Chile is a good example of successful social policies, economic progress, and the beneficial results of democracy. (Easterly 2006, 317)

The positive conclusions drawn from the study of Thailand also apply in the case of Chile. Firstly, basic education was made compulsory as early as in the 1920's, and land ownership is controlled by law; the Chilean system including secure title deeds. Several other reforms were introduced when Pinochet's dictatorship began in 1973. Secondly, Chile pioneered the privatisation movement (Todaro 1997, 670-671). Market reforms, structural adjustments and the development process in more general terms may be considered to constitute a "capitalistic", or market-based revolution, and as such, a "success story" (Martinez & Diaz 1996, IX, 1).

The price for this success was paid in terms of individual liberties, which were, at least partly, lost for a period of more than two decades during the dictatorship. However, the consequences of the alternative of continuing under the control of a socialist regime are not known, but could have resulted in an equally bad human rights record, and possibly a much worse economic and human development situation (Hickman 1998; Martinez & Diaz 1996). This can be substantiated by the present poor development status of the few remaining communist countries. However, this is not to defend the atrocities that took place during the dictatorship. Quite the contrary; those atrocities form a shameful black spot in the otherwise positive development of Chile.

With educated people, an economy run on a competitive basis, the economy of Chile today is a very open market-based economy, with a flourishing international trade and secure property rights in place. It is easy to agree with the way Todaro concludes his analysis: "The country has travelled a rocky road to get there, but today the outlook for Chile's extensively privatised economy, supported where needed by a constructive government role, is very bright indeed" (Todaro 1997, 673) This analysis of Chile supports the main findings so far of this paper. Evidence is mounting that good governance, education, property rights and sound economy are the key to human development.

**Finland.** Key contributing factors to the success of Finland have been land ownership, good cooperation between the Government and the market ("governed markets"), high capital accumulation through savings, and low interest rates. "Institutional" social security system based on equal treatment and equity has also played a key role in building the success. (Ritakallio 1994; Vartiainen, 2004, 211) These conclusions are shared also by The World Bank (2006, 120-123).

Good governance prevails, and Finland heads the list, among many other lists, of countries with the least corruption, the most equal income distribution and with the best management practices in many areas of life; water resources, for example (Pesonen & Riihinen 2002,9). Public expenditure priorities are hotly debated by various decision-making bodies; and once again, the results have considerably enhanced development. Already in 1920s, basic education had been made compulsory, and practically the whole population is literate. Further, most people have additional vocational training or higher education, and thus are able to take their destinies into their own hands. However, those who are unable to do this are assisted by well-established safety nets, with sufficient enough social benefits to guarantee dignity for all. Property rights are respected, which gives people peace of mind and motivates them to strive for their own respective goals. Finland is engaged in worldwide trade successfully based on the solid industrial base built up during the last 5-6 decades. Entrepreneurship in general is also well supported, not only by the government but also by municipalities. In particular, the SME sector plays a key role in taking the development process forward. The third sector, the civil society (NGOs) has a voice of its own, and adds to the general level of participation in society.

Legislation is supportive, and encourages the informal sector to join the formal one. This in turn enhances development. The climate of Finland is considered severe, but it seems that even that challenge has been turned into strength. For example, it might be mentioned that buildings have to be constructed exceptionally heavily, but that this has provided extra business opportunities for the entire construction sector.

Senghaas (1985, 28-36) has analysed Finland's development trajectory interestingly. Against all odds, Finland did not fall into peripheral underdevelopment or poverty, thanks to fairly equal land distribution and the

fact that incomes derived from exports were translated into a sufficiently broad-based domestic market. The diversification that followed further enhanced the development of Finland. Romppainen (2001, 122) and Pesonen & Riihinen (2002, 302) also take this view. They state that Finland does not possess any great history, having been, for a long time, an underdog dominated by others. However, Finland's more recent history tells a different story. Finland has achieved success economically, which in turn has contributed greatly to human development.

In summary, this analysis shows that Finland is distinguished in this study as the most developed country of those analysed, and would remain so even if different indicators were used. All the questions raised in this study, namely good governance, education, property rights and the economy have been administered successfully on the development agenda; justifying to use them as the four basic pillars of a development strategy.

To summarize, it seems reasonable to conclude that Thailand, Chile, and Finland have qualified for the middle and higher HDI categories based on their better governance, education, property rights and economies. Consequently, Zambia and other LHDICs should improve in respect of these factors if they want to advance their human development status. My main research questions have been answered; firstly based on academic, literature, then followed by strategy level discussion related publications and eventually on the evidence provided by the four case studies presented.

## **7 OBSERVATIONS AND CONCLUSIONS ELEMENTS FOR A DEVELOPMENT STRATEGY AND RECOMMENDATIONS FOR FURTHER RESEARCH; CONDITIONALITY AND TIME SPAN**

This chapter summarizes the observations and conclusions of this study. In the first section, I reviewed various development theories. The second section of the study was concerned to elucidate basic concepts, and to provide a definition of what constitutes development. The third section introduced the human development index. In the fourth section, a review was made of contemporary strategies and development work. In the fifth section, four case studies of individual countries were presented, both to provide support for my findings in the previous chapters, and to identify any possible objections that might be made to them; and also to illustrate various questions that had been discussed as cross-cutting factors. These four case studies seem to be in agreement with my main findings concerning the factors that work to promote development.

There remains the question of how the various factors, identified as tending to promote a country's social and economic development, interact with each other, and of the time-span required for development to take place. These questions were not discussed in the main body of this paper, since they lie outside the limited scope of this study. But I raise them now in the hope that an awareness of them may act as a stimulus to further research.

### **7.1 Factors enhancing development**

In the course of this study, certain factors have emerged as crucial for the promotion of social and economic development. These are: Governance, education, property rights and the economy. These factors form the set of "development pillars". These pillars require a solid "platform", consisting of

long durée and auxiliary factors, on which to operate. These are: geography, climate, culture & religion, peace & security, international partnerships, communications and globalization. They have also a significant impact through their cross-cutting nature; that is, through their influence on the core factors. Therefore they could constitute a potential set of development strategy elements, tending towards simultaneous westernisation and indigenisation, and towards simultaneous regionalism and globalisation “For development, compartmentalized views are to be rejected – only a broad and many-sided approach will give results”; and “Freedom is both a means to, and the end of development”.

As we have observed in this study, the above-mentioned elements of development have both quantitative and qualitative dimensions. On the quantitative scale, there can be too little, too much, or an appropriate amount of governance, economic activity, education, and property rights. On the qualitative scale they can be administered either well or badly. The line dividing these zones of good versus bad, appropriate or otherwise, is like a “line drawn on water”. As a result, these factors are both prerequisites for development, and factors that may hinder it. Therefore it seems that a middle-way approach is likely to prove the most beneficial. Westernization vs. indigenization also translates into modernisation/ dependency thinking. Low human development index countries, LHDICs, could, starting from the point of view of their own cultural identity, visit the Zambian, Thai, Chilean and Finnish experiences for some possible ideas worth considering for implementation. Below, I make some concluding observations on each of the development-enhancing factors identified above.

### **Good governance**

Summarizing the findings in chapter 4.2 and in the four case studies, good governance consists of: democracy; participation, facilitation; the setting of rules and the reinforcement and monitoring of these. Further, pragmatism, and partnership with the market and the community works better than governance based on political predispositions.

A study of corporate governance solutions can sometimes contribute to improved governance on the national level. Again, Chapter 4.2. introduced the revolutionary idea of turning the thinking of the governance pyramid upside down. If the purpose of governance is to support citizens’ lives to the optimum, this requires looking at governance from the perspective of the governed. The role of governance institutions as supporting and facilitating the endeavours of all citizens would be emphasized. Thus civil servants would have two roles, one as civil servant and one as a citizen enjoying the benefits of good governance.

To conclude, societal development theories and in particular, people-managed development theories seem to yield the best results. (Chapter 2.4) People are both the objects of governance and those who implement this governance. The better they are equipped by education, the better they govern.

### **Compulsory basic education**

This research has identified considerable evidence suggesting that education is the key to development. (Chapter 4.2.2.) The four case studies support this view. Public expenditure on education, primary enrolment rates, and illiteracy rates all improve as one moves from Zambia through Thailand and Chile to Finland; corresponding with the respective HDI index scores of these countries.

A situation in which people, after undergoing basic education have the choice of seeking employment, becoming self-employed or continuing with further studies could translate into freedom. People would be freed from illiteracy, which dooms them to the “prison” of poverty, ignorance, and exclusion from participation. Compulsory basic education leads to freedom. Through education, people become agents instead of being objects.

### **Land-related property rights**

Another important single reason for poverty in the low human development index countries concerns assets. The most important problem is that assets – principally, areas of land – are not registered, and therefore cannot be used as collateral; which in turn makes land “dead capital” instead of capital that could trigger a take-off development process. Estimates of the value of such extra-legal assets range up to approximately 9.3 trillion USD. Assuming that such a huge volume of assets could be used as collateral, an even bigger value base could be generated by the additional use of the land assets as input. This research finding (Chapter 4.2.3.) is for me the most convincing and rewarding one, and is a reason for optimism; because in Africa such land reform is still, to a large extent, an untapped potential remedy for the problem of poverty.

Contrary to the customary land tenure system of the LHDICs, middle- and high-HDI countries have statutory-land tenure systems based on registered title deeds, which secure property rights. The impact on development levels of these two different tenure systems are drastically in favour of the statutory system. There is a considerable body of evidence to support this view. The case studies reported in chapter 6, of Zambia, Thailand, Chile and Finland serve as evidence.

Opposition in the LHDICs to any change of the tenure system from customary to statutory is based on the fear that secure land titles and property rights would initially result in the biased, unfair and unequal distribution of land. While equity is important, the allocation does not have to be unfair. It is possible to implement it in a constructive and equitable way. However, equality is a separate question from the question of tenure. Without appropriate titles, irrespective of ownership, it is extremely difficult to manage this big reserve of value that land represents. Land reforms would allow the land to be used by owners as collateral and input, and turn the customary land, “dead capital”, into “a launching pad for future development”.

## **Economics, entrepreneurship and trade**

To summarize, it seems that it is the private sector that runs the world and takes it forward; since out of all production, manufacturing, investment and value addition, 90% takes place in the private sector; as the literature reviewed (Chapter 4.2.4.) reveals.

In countries with good governance, the role of government is to formulate supportive legislation to enable the private sector to function better. In so doing, governments also secure themselves a sound tax base and a regular income. Competition and the law of demand and supply (or the “invisible hand”, quoting Smith) will balance the private sector, and ensure a degree of supply that both meets demand, and creates further demand.

Free trade without barriers is a good, acceptable and desirable goal. However, it seems universally acceptable that governments support entrepreneurship within their boundaries, and therefore they will most likely continue to do so in the future, in the global market place as well, in the form of trade subsidies and import tariffs and quotas. There is quite a conflict of interest on this question, that the global community will have to resolve. Identifying each country’s comparative advantage(s) helps in this process.

Through innovation, new demand and supply emerge; and this is part of the development process. People are not ready to give up their self-interest; and they are responsive to and motivated by incentives to run economies. This became evident in my research on economic issues in (Chapter 4.2.4. and the case studies.)

The above-mentioned four basic pillars of any economy have the potential to drive development and the HDI index forward. They have to be used in parallel and tandem to have the desired impact. However, there are other factors that should ideally facilitate and support the combined impact of the “pillars” (Chapter 4.1). Further, an appropriate mix of development “tools” is needed to enhance development. These “tools” have to be used in the right sequence and at the right pace. These three questions have not been discussed in the body of this research, and are mentioned here as suggestions for further studies. To facilitate this, at least a few sources of information are also given.

## **7.2 Suggestions for further research; sequencing and pacing; feasible time span for the development process**

### **Sequencing and pacing**

The core idea of this study is that compartmentalized and one-discipline approaches are not enough. However, the question arises of interlinkages and conditionalities between development-related factors. This leads to sequencing and pacing (Stiglitz 2002, 18). Stiglitz defines “sequencing and pacing” as

means of implementing strategies, policies and actions in the right order and at the right speed. The question of interactions and the conditionalities of various factors seems to be less researched, and therefore more research is needed. However, applying the critical paths method, which is based on focusing on the “next” bottleneck factor at any particular time, could be one successful way of “sequencing and pacing”. The critical paths method (CPM) was developed in the 1950s by the US army and some big construction companies in order to manage complex processes involving multiple simultaneous activities. (Cpm/tutor.org 2006) The order of interventions would probably be as described below.

Applying the critical paths method to achieve improvements in HDI index among LHDICs, and using the four pillars of development, as summarised above, might suggest that following steps should be taken. The first step needed would be government intervention to pass or update the legislation necessary to ensure the provision of basic education. To convert the land into a launching-pad for development, legislation would again be needed to initiate a land reform. Thirdly, legislation is also needed to facilitate people’s entrepreneurial and economic activities. Taking these steps would signify good governance. These actions would trigger off a development process which would turn itself into a self-sustaining virtuous circle or process, reinforcing itself along the way. Participating in the globalization process, keeping the peace, accumulating social capital and cooperating with the international community would further facilitate the virtuous circle.

### **Feasible time span for the development process**

Once a development strategy framework was in place, the next critical question would be: “How long does it take to change a poorly-managed factor enough for it to be supportive of development?” How long does it take for a “rectified factor” to have enough impact to make a difference to the development process, and to raise a LHDIC to the middle category and subsequently further up to the high HDI category?

In the main body of this research, the question of time span has not been discussed. The purpose of raising this issue in this concluding summary is to point the way to further research; since time is another important dimension of development.

The focus of this paper has been on the period after the Second World War. However, it may be useful for a moment to take a longer perspective on the development process of mankind, in order to remind ourselves that the process of development, like other processes and almost everything else, is relative.

Agriculture became established 10,000 years ago, marking a beginning for the on-going development process by ending the hunter-gatherer period. (Diamond 1997) North (1981) points out that the industrial revolution, which is often said to have taken place from 1750 to 1830, is actually still going on. Todaro (1997, 662) writes that “It took the West 150 years to develop to the



present level, and the third world countries will probably follow in due course". However, it is encouraging to note that when the presently industrialized countries developed, their growth rates were lower than the rates that LHDICs have now. And according to Rostow (1960), 60 years was enough for most of the European countries to develop from the beginning of the take-off stage to maturity. The above statements give us a long-term perspective. However, there is not much comfort in such statements for people in LHDICs living in poverty today and for those who want to build a better future for their children tomorrow. Therefore, the implementation of development plans should ideally start immediately so as to have a positive impact in few decades.

"Time is as succession of things, and without things there would not be any time". (Castells 2000a, 494). In this context those "things" should ideally be development. If so and if not, "the great thing about time is that it goes on" (Coveney & Highfield 1990). For Adam (1995, 1998), time is a resource, which can be commodificated, allocated, used and abused. Further, time is money; because it is exchanged for money in the market, and consequently it also relates to power. On the other hand, time abused can be a great cost, in terms of lost opportunity. In general, people give priority to the present, in order to maximize their self-interest; and therefore there is a tendency to discount the future values to date. Adam acknowledges the proven economic fact that it is the opposite, prolongating values, that result in growth. Hence, the more development-related efforts are made in the present, the higher are the development results in the future, and the sooner they materialize. In the context of this paper, results would be seen in improved HDI values.

The WB development report (2002f, 175) also takes a stand on the question of the time horizon of various development-related issues. The time required to develop new technologies is about 20 years, and the average life time of man-made assets, like buildings and machinery, is about 50 years. Further, as a result of globalization, "The world is starting to resemble a single community, and therefore a 20-50 years' perspective is needed". (WB 2002f, 184) "The next 15 years can bring record economic growth rates for developing countries". According to the WB assessment (ibid 191), fifty years, or two generations, is enough to eliminate poverty and to move to a more sustainable development path. To begin with, 10-20 years would be needed to bring into being the institutions necessary to achieve this. The results of the on-going poverty reduction process, PRP, can be seen after 10-15 years. (Ibid 193) Further support for this time-frame is offered by Ministry for Foreign Affairs, Finland; which states that a twenty-year time-frame would be needed to have a long-term impact. (Ibid 68, 71)

Some reason for optimism can be derived from the fact that development studies are a very young branch of the social sciences. It was only in the 1950s that awareness started to grow, and that is when the poverty of underdeveloped countries was first considered to be a problem. (Chapter 3.1.) The above could lead to further research, and the testing of the conclusion that within the span of two generations, significant progress can be achieved in

development and poverty reduction. Applying the measures discussed in this paper would contribute to that end.

### **7.3 Summary of conclusions**

In order to respond to Keynes' challenge, adduced in the introduction of this the study, "development should take place now, because in the long run we are all dead". I would like to add: The development process over the years can also be a good life, and it can be on the fast track by following Sen' s advice, "Freedom is the primary end and principal means", and by building on the respective strengths of each country; and also by learning from the experiences of more developed countries, like Thailand, Chile and Finland.

To symbolize the development process, reference is made to a story according to which the French marshal Hubert Lyautey once asked his gardener how long it would take for a certain tree to grow to maturity. The gardener answered that it would take 100 years. Marshal Lyautey replied, "Plant it today".

## YHTEENVETO

Tämä tutkimus selvittää kuinka maat, joilla on alhainen inhimillinen kehityksen taso, HDI indeksillä mittattuna, voivat edistyä ja parantaa HDI arvoaan. Tutkimus *painottaa hallinnon, koulutuksen, omaisuuden turvan ja talouden tärkeyttä* maiden edetessä korkeampaan inhimillisen kehityksen tasoon. Nämä neljä kehitystekijää hallitsevat vallitsevaa kehityskeskustelua mutta useimmiten niitä tutkitaan toisistaan erillään. Näitä tekijöitä pitäisi kuitenkin vahvistaa ja käyttää yhtäaikaaisesti inhimillisen kehityksen aikaansaamiseksi. Siksi niitä kutsutaan kehityksen "peruspilareiksi". "Long Durée" tekijöiden ja ns. "Auxiliary" tekijöiden ryhmät tuodaan mukaan keskusteluun ja niiden merkitys on myös tärkeä HDI indeksin parantamisen kannalta. Ne muodostavat peruspilareiden "jalustan". "Long Duree" tekijöitä ovat maantiede & ympäristö ja ilmasto. "Auxiliary" tekijöitä ovat kulttuuri & uskonto; kolonialismi; rauha & turvallisuus; terveys, kansainvälinen apu, kommunikaatio ja globalisaatio.

Tutkimuksen tärkein osa muodostuu neljän maan tapaustutkimuksista. Nämä maat ovat: Sambia joka nyt kuuluu HDI indeksin alaryhmään, Thaimaa, HDI indeksin keskiryhmään kuuluvana ja Chile ja Suomi HDI indeksin yläryhmään kuuluvina maina. Maiden analyysi on vertaileva, kuvaillen, selittäen, luokitellen ja tulkiten makrotason kehitys ilmiöitä kattaen sekä kehityksen neljä perustekijää että "long-duree" ja "auxiliary tekijät".

Tämä tutkimus paljastaa, että kehitystekijät selvästi paranevat siirryttäessä Sambiasta Thaimaan kautta Chileen ja Suomeen. Lisäksi maailmanlaajuisen kehitystutkimuskeskustelun tulokset ja globaalien kehitysinstituutioiden nykyinen strategiatyö yhdessä vahvistavat sen, että alhaisen HDI ryhmän maiden neljä kehitystekijää, hallinto, koulutus, omaisuuden turva ja talouspolitiikka, eivät ole yhtä hyvin organisoitu eikä käytetty kuin mitä tilanne on HDI indeksin keskiryhmän ja ylä-ryhmän maissa.

Tuloksia vahvistaa kvantitatiiviset hajontakuviot. Ne vertailevat neljää tutkittua maata suurimpaan mahdolliseen määrään maita, aina 177 maahan saakka, joista luotettavaa tietoa on saatavilla. Tämä tilastollinen kuvaus osoittaa voimakasta korrelaatiota tutkittujen tekijöiden ja HDI indeksiarvojen välillä. Koulutuksen merkitys kaksinkertaistuu, koska koulutus on sekä inhimillisen kehityksen keino ja yksi keskeinen tavoite.

Avainsanat: Kehitys, inhimillisen kehityksen mittari (HDI), hallinto, koulutus, omaisuuden turva, talous.

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## APPENDICES

### 1 Time line of historical milestones for the case study countries

Major milestones in Zambian History. (UNDP Human development report 1997)

- 1912 Amalgamation of North-Western Rhodesia and North-Eastern Rhodesia to form Northern Rhodesia with Livingstone as capital.
- 1923 The end of the British South Africa Company rule of Northern Rhodesia. The country becomes a British Protectorate.
- 1930s The development of the first four large copper mines: Luanshya, Nkana, Mufulira and Chingola.
- 1935 The first industrial strike by African mineworkers demanding better treatment and conditions of service is organised. The administrative centre moves to Lusaka.
- 1948 The Northern Rhodesia African Congress is formed as a political party and demands African representation in the Legislative Council.
- 1949 The formation of trade unions is legalised, and the Mineworkers Union was Formed.
- 1951 The Northern Rhodesia African Congress is transformed into the African National Congress to campaign against the formation of the Federation of Rhodesia and Nyasaland and to agitate for self government.
- 1953 The Federation of Rhodesia and Nyasaland is formed comprising: Northern Rhodesia (Zambia), Southern Rhodesia (Zimbabwe) and Nyasaland (Malawi)
- 1962 The Federation of Rhodesia and Nyasaland comes to an end with the attainment of self Government of Nyasaland.
- 1964 Zambia attains independence on 24<sup>th</sup> October, with Kenneth Kaunda as first President of independent Zambia.
- 1968 President Kaunda announces the Mulungushi Reforms, which led to the nationalisation of most of the large industrial and commercial enterprises in the country.

- 1969 President Kaunda announces the Matero Reforms which led to the nationalisation of the mining companies operating in Zambia.
- 1972 A One- Party State is introduced in Zambia after the signing of the Choma Declaration, which made all other political parties illegal.
- 1975 President Kaunda makes the Watershed Speech which led to the abolition of freehold title, to land in Zambia.
- 1987 Zambia breaks relations with the International Monetary Fund and draws up a programme: Growth from our own resources.
- 1989 A rapprochement is initiated with IMF.
- 1990 The movement for multi-party democracy (MMD) is launched, and by December, Article 4 of the Constitution, which proscribed the formation of other political parties is amended.
- 1991 The MMD is transformed into a political party and overwhelmingly wins the election. It forms government in November 1991 with Frederick Chiluba as the President.
- 1992 Introduction of privatisation and liberalisation policies.
- 1993 Liberalisation of maize marketing, introduction of the cash based government budgeting system.
- 1994 Suspension of the Exchange Control Act, the establishment of the Zambia Revenue Authority and launching of the Lusaka Stock exchange with the establishment of the Securities and Exchange Commission.
- 1995 The dissolution of ZIMCO (Zambia Industrial and Mining Company); holding company of all parastatal companies.
- 1996 Major constitutional amendments including, among others: incorporation of human rights, press freedom and gender equality, amendments to the qualifications of a presidential candidate, and declaration of Zambia as a Christian nation. The election of the MMD and President Chiluba for a second term in office.
- 2002 Tripartite elections are held, and the MMD wins the presidency again with Mr. Mwanawasa as President.

Source: World bank, World Development Report 2000/2001. (World Development Report 2000/2001, p. 274 - 315)

## Major milestones of Thailand in timeline

### **Nanchao Period (650–1250 A.D.)**

The Thai people founded their kingdom in the southern part of China, which is Yunnan, Kwangsi and Canton today.

### **Sukhothai Period (1238–1378 A.D.)**

Thais began to emerge as a dominant force in the region in the 13th century, gradually asserting independence from existing Khmer and Mon kingdoms.

### **The Ayutthaya Period (1350–1767)**

The Ayutthaya kings adopted Khmer cultural influences during this period.

### **The Thon Buri Period (1767–1772)**

New capital was established at Thon Buri on the west bank of the Chao Phraya River.

### **The Rattanakosin Period (1782–the Present)**

Relations with Western nations, treaties with European countries, modern Thailand emerged (World Development Report 2000/2001, p. 274–315)

## Chile

### Appendix

Below, some milestones in Chilean history. (Library of US. Congress/ Federal research Division/country studies/ Chile /section 40 out of 149)

1520	Ferdinand Magellan first European to sight Chilean shores.
1535-37	First Spanish expedition to explore Chile.
1540	Pedro de Valdivia conquers Chile.
1553-58	Indigenous Araucanian uprising.
1609	Pope Paul V authorizes war against Araucanians.
1647 and 1730	Earthquake destroys Santiago
1759-96	Bourbon reforms give Chile some independence from the Viceroyalty of Peru.
1810	Independence from Spain declared.
1818	Chile wins the war which started in 1810 and gains formal Independence.
1818-1830	Period of civil wars.
1830-61	Period of conservative rule.
1861-91	Period of liberal rule.
1879-83	War against Bolivia and Peru for control of Pacific.
1891-1925	Period of parliamentary Republic.
1925	Chile major constitution approved.

1970	Salvador Allende wins presidential election.
1973	Augusto Pinochet overthrows Allende government.
1973-90	Period of military rule under general Pinochet.
1990	Transition to democracy starts with presidency of Aylwin
1994	Aylwin is succeeded by Frei Ruiz- Tagle.
2001	Lagos elected as president.

## **Finland**

### **Appendix**

1808-1809	Russia attacks Finland. Sweden is forced to give up the territory to Russia.
1808-1810	Russian Tsar Alexander I grants Finland autonomous status.
1812	Helsinki becomes capital of Finland
1863	Alexander II re-convenes the Diet.
1899-1905	Russia's first period of repression against autonomous Finland.
1906	Finnish women became the first in Europe to gain the right to vote in national elections.
1907	Finland elects its first Parliament through universal, equal suffrage.
1908-1917	Russia's second period of repression against Finland.
1917	Finland gains independence.
1918	Civil War between the Whites and Reds. The White side was victorious, governments were non-socialist until 1937.
1919	Finnish constitution ratified.
1920	Peace treaty with Soviet Russia.
1939	Soviet Union attacks Finland. Winter War begins.
1940	Peace treaty with Soviet Union. Finland loses much territory, such as the Karelian area.
1941	Finland joins the war as co-belligerent with Germany and attacks the Soviet Union in the summer.



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- 1944 Finland signs a separate peace with Soviet Union. German troops expelled from Finland.
- 1945-1948 "The Years of Peril". The nation is under tremendous pressure from the Soviet Union.
- 1947 Treaty of Paris signed.
- 1948 Finland and the Soviet Union sign Treaty of Friendship, Co-Operation and Mutual Assistance (FCMA).
- 1949 Finland joins the General Agreement on Tariffs and Trade (GATT).
- 1955 The Soviet Union returns Porkkala naval base area. Finland become member of United Nation and the Nordic Council.
- 1956 J.K. Paasikivi's presidential term ends: Urho Kekkonen inaugurated. Finland joins the United Nations and the Nordic Countries.
- 1961 Finland becomes associate member of European Free Trade Association (EFTA).
- 1966 The Left (the Social democrats and the Communists) gain a majority in the Parliament together with the Centre Party they form a front government.
- 1969 Finland joins the Organization for Economic Co-operation and Development (OECD).
- 1973 Finland signs a Free Trade agreement on industrial goods with the European Economic Community (EEC).
- 1975 Conference on Security and Co-Operation in Europe (CSCE) summit in Helsinki.
- 1982 Urho Kekkonen leaves office: Mauno Koivisto inaugurated.
- 1986 Finland becomes full a member of EFTA.
- 1989 Finland becomes a member of the Council of Europe.
- 1992 Treaty of Friendship with Russia. Finland applies for European Community membership.

- 1993 Finland, Austria, Norway and Sweden simultaneously launch membership negotiations with the European Community: The EC becomes the European Union.
- 1994 Mauno Koivisto's presidential term ends: Martti Ahtisaari inaugurated. In a referendum, Finns approve membership agreement with the EU. Finland becomes part of the European Economic Area (EEA) NATO partnership for peace - Finland has not sought NATO membership, yet.
- 1995 Finland joins the EU.
- 1999 Finland joins the European Economic and Monetary Union.
- 2000 Martti Ahtisaari's presidential term ends: Tarja Halonen inaugurated. The New constitution takes effect. Finland adopts the Euro as her official currency.

## APPENDIX

### 2 Table of development indicators

Source: World Bank Development Report 2000/2001

INDEX	Zambia	Thailand	Chile	Finland
Gross national product 1999	3.2 billion USD	121.0 billion USD	71.1 billion USD	122.9 billion USD
Rank in the world	131	31	43	30
Average growth rate of GNP 1998-99	2.6%	4.9%	-1.4%	3.7%
GNP per capita 1999	USD 320	USD 1,960	USD 4,740	USD 23,780
Rank in the world	176	102	67	19
Average growth rate 1998-99	0.4%	4.1%	-2.6%	3.5%
GNP measured at purchase power parity 1999	USD 686	USD 5,599	USD 8,370	USD 21,209
Rank in the world	198	102	68	25
Prevalence of child malnutrition; percentage of children under 5 years	24%	n.a.	1%	n.a.
Growth of private consumption 1980-98	-1.8%	5.1%	4%	1.1%
Under five mortality rate 1998	192/1000	33/1000	12/1000	5/1000
Life expectancy at birth 1998	males 43 females 43	males 70 females 75	males 76 females 78	males 74 females 81
Adult illiteracy rate 1998 for people over 15 years	males 16% females 31	males 3% females 7%	males 4% females 5%	males - females -
Urban population % in 1980 and 1999	40% 40%	17% 21%	81% 85%	60% 67%
Access to sanitation/ urban areas 1990-1996	40%	98%	82%	100%
Average population growth rate 1980-89 and 1990-99	3% 2.7%	1.7% 1.2%	1.6% 1.5%	0.4% 0.4%

Share of females in labour force 1999	45%	46%	33%	48%
Population below poverty line National poverty line	68% 1991	13% 1992	20.5% 1994	n.a.
Population below international poverty lines 1994	below \$ 1 72% Below \$2 92%	below \$1 <2% below \$2 28%	below \$1 4% below \$2 20%	n.a.
Gini Index Percentage share of income or consumption	In 1996 Lowest 10% 1.6, Highest 10% 39.2	In 1998 Lowest 10% 2.8 Highest 10% 32.4	In 1994 Lowest 10% 1.4 Highest 10% 46.1	In 1991 Lowest 10% 4.2 Highest 10% 21.6
Public expenditure on education % of GNP 1980 and 1997	4.5% 2.2%	3.4% 4.8%	4.6% 3.6%	5.3% 7.5%
Net enrolment ratio, % of relevant age group 1980 and 1997	77%, 72% primary level ; 35%, 42% secondary level	92%, 88% primary level; 25%, 48% secondary level	93%, 90% primary level; 70%, 85% secondary level	100%, 100% primary level; 87%, 95% secondary level
Expected years of schooling 1997	8 years for males, 7 years for females	n.a.	13 years for males, and for females	15 years for males, 17 years for females
Public expenditure on health % of GDP, 1990-98	2.3%	1.7%	2.4%	5.7%
Access to improved water resources, % of population, 1990-96	43%	89%	85%	98%
Access to sanitation, % of population, 1990-96	23%	96%	82%	100%
Infant mortality rate per 1000 live births, 1980 and 1998	90/1000, 114/1000 live births	49/1000, 29/1000 live births	67%, n.a. live births	100%, 100% live births
Total fertility rate, births per woman 1980, 1998	7.0; 5.5	3.5; 1.9	2.8; 2.9	1.6; 1.8
Maternal mortality ratio, per 100,000 live births 1990 -98	650	44	23	6
Percentage of irrigated land of cropland 1995 -97	0.9	23.9	54.3	3.0
Arable land, hectares per capita 1979- 81 and 1995-97	0.89; 0.57	0.35; 0.27	0.34; 0.14	0.50; 0.42

Agricultural machinery, tractors per thousand agricultural worker 1995-97	2	7	49	1,147
Agricultural productivity, value added per worker (1995 dollars) 1996-98	USD 209	USD 932	USD 5,039	USD 28,231
Food production index 1989-91 = 100; 1996-98	104.5	112.6	129.6	90.7
Freshwater resources, Cu.meters per capita 1998	12,000 1.5% of resources	6,698 8.1% of resources	32,007 3.6% of resources	21,347 n.a.
Annual deforestation 1990-95	2.644 sq.;km; 0.8% annual increase	3,294sq.km.; 2.6% annual increase	292 sq.km; 0.4% annual increase	166 sq.km;0.1% annual increase
Nationally protected areas 1996	8.6% of total land area	13.8% of total land area	18.9% of total land area	6.% of total land area
Energy consumption, Thousand metric tons of oil equivalent 1997	5.985	79.963	23.012	33.075
Net energy import, % of commercial use 1997	7%	42%	65%	54%
Carbon dioxide emissions per capita 1990 and 1996 metric tons	0.3 0.3	1.7 3.4	36.6 48.8	10.2 11.5
Gross Domestic product; % annual growth 1980-90 and 1990-99	1% 1%	7.6% 4.7%	4.2% 7.2%	3.3% 2.5%
Annual growth in agricultural value added 1980-89 and 1990-99	3.6% -4.4%	3.9% 2.7%	5.9% -1.3%	-0.2% 0.2%
Annual growth in industry value added 1980-89 and 1990-99	0.8% -4.3%	9.8% 6.7%	3.5% 6.3%	3.3% 2.1%
Annual growth in services value added 1980-89 and 1990-99	-1.5% 10.6%	7.3% 5.5%	2.9% 7.5%	3.7% 0.1%
Annual growth in exports 1980-89 and 1990-99	-3.4% 1.8%	14.1% 9.4%	6.9% 9.7%	2.2% 9.6%
Annual growth in gross domestic investment 1990-99	11.3%	-2.9%	11.4%	-3.2%
Gross domestic product 1999	USD 3.275	USD 123.887	USD 71.092	USD 126.130

Value addition as percentage of GDP 1990	Agriculture 18%, Industry 45% Manufacture 32% Services 37%	Agriculture 12% Industry 37% Manufacture 27% Services 50%	Agriculture 8% Industry 39% Manufacture 19% Services 53%	Agriculture 6% Industry 35% Manufacture 23% Services 58%
Private consumption as percentage of GDP 1990 and 1999	64% 85%	57% 57%	62% 68%	53% 53%
Government consumption as percentage of GDP 1990 and 1999	64% 85%	9% 11%	10% 9%	21% 21%
Gross domestic investment as percentage of GDP 1990 and 1999	17% 17%	41% 21%	25% 24%	28% 17%
Gross domestic saving as percentage of GDP	17% 6%	34% 32%	28% 23%	26% 26%
Export of goods and services as percentage of GDP 1990 and 1999	36% 29%	34% 57%	35% 27%	23% 40%
Resource balance = trade balance 1990 and 1999	-1% -11%	-8% 12%	3% 0%	-2% 9%
Exports, million USD 1990 and 1998	1,360 1,057	29,229 65,903	10,221 18,583	31,180 50,153
Imports, million USD 1990 and 1998	1,897 1,140	35,870 48,704	9,166 21,583	33,456 38,705
Net current transfers, million USD 1990	380	213	198	-952
Current account balance, million USD 1990	-594	-7,281	-485	-6,962
Gross international reserves million USD 1990 and 1999	201 45	14,258 34,063	6,784 14,407	10,415 8,207
Stock market capitalization million USD 1999	291	58,365	68,228	349,409
Stock exchange listed companies 1999	9	392	285	147
Interest rate spread (Lending minus deposit rate) 1990 and 1999	9.5% 20.1%	2.2% 4.3%	8.6% 4.1%	4.1% 3.5%

Domestic credit provided by the banking sector, percentage of GDP 1990 and 1999	67.8% 63.5%	91.1% 126.0%	73.0% 68.8%	84.3% 57.5%
Military expenditure, % GNP 1992 and 1997	3.3% 1.1%	2.6% 2.3%	2.5% 3.9%	2.2% 1.7%
Composite ICRG risk rating 2000, scale (0-100)	58.8	74.8	74.5	88.8
Institutional Investor credit rating 2000, scale (0-100)	15.1	48.8	62.6	85.6
Highest marginal tax rate 1999	30%	37%	45%	38%
Corporate tax rate 1999	35%	30%	15%	28%
Electric consumption per capita, kilowatt hours, 1990 and 1997	503 563	690 1,360	1,178 2,011	11,822 13,689
Paved roads, % of total 1990	16.6%	55.3%	13.8%	61%
Daily newspapers per 1000 people 1996	12	63	98	455
Radios per 1000 people 1997	121	232	354	1,496
TV's per 1000 people 1998	137	236	232	640
Telephone lines per 1000 people 1998	9	84	205	554
Mobile phones per 1000 people 1998	1	32	65	572
Internet hosts per 10,000 people 2000	0.53	6.46	26.4	1,218.4
Official development assistance USD per capita 1990 and 1998	62 36	14 11	8 7	n.a. donor country

## APPENDIX

3 Table on HDI values of 177 countries and selective indicators as source to the plot charts in chapter 5.2.

Country	HDI 2004 <sup>1)</sup>	GNP 2004 <sup>2)</sup>	GCI 2006 <sup>3)</sup>	CPI 2006 <sup>4)</sup>	EF 2006 <sup>5)</sup>	HE 2003 <sup>6)</sup>	PG 1975-2004 <sup>7)</sup>	EDU 2004 <sup>8)</sup>
Albania	0.784	4,978	3.46	2.6	61.4	366	0.9	0.88
Algeria	0.728	6,603	3.9	3.1	55.3	186	2.4	0.71
Angola	0.439	2,180	2.5	2.2	43.9	49	2.8	0.53
Antigua and Barbuda	0.808	12,586	*	*	*	477	0.9	0.8
Argentina	0.863	13,298	4.01	2.9	54.6	1,067	1.3	0.95
Armenia	0.768	4,101	3.75	2.9	71.0	302	0.2	0.91
Australia	0.957	30,331	5.29	8.7	79.4	2,874	1.3	0.99
Austria	0.944	32,276	5.32	8.6	69.7	2,306	0.3	0.96
Azerbaijan	0.736	4,153	4.06	2.4	53.4	140	1.3	0.89
Bahamas	0.825	17,843	*	*	72.3	1,220	1.8	0.86
Bahrain	0.859	20,758	4.28	5.7	71.0	813	3.3	0.86
Bangladesh	0.530	1,870	3.46	2	54.2	68	2.2	0.46
Barbados	0.879	15,720	4.7	6.7	71.9	1,050	0.3	0.96
Belarus	0.794	6,970	*	2.1	46.8	570	0.2	0.95
Belgium	0.945	31,096	5.27	7.3	71.5	2,828	0.2	0.98
Belize	0.751	6,747	*	3.5	64.6	309	2.3	0.77
Benin	0.428	1,091	3.37	2.5	53.9	36	3.2	0.4
Bhutan	0.538	1,969	*	6	*	59	2.1	0.48
Bolivia	0.692	2,720	3.46	2.7	58.7	176	2.2	0.87
Bosnia and Herzegovina	0.800	7,032	3.67	2.9	55.6	327	0.1	0.87
Botswana	0.570	9,945	3.79	5.6	69.2	375	2.4	0.78
Brazil	0.792	8,195	4.03	3.3	60.9	597	1.8	0.88
Brunei	0.871	19,210	*	*	*	681	2.8	0.88
Bulgaria	0.816	8,078	3.96	4	63.4	573	-0.4	0.92
Burkina Faso	0.342	1,169	3.07	3.2	55.8	3	2.6	0.23
Burundi	0.384	677	2.59	2.4	48.7	15	2.4	0.52
Cambodia	0.583	2,423	3.39	2.1	56.9	188	2.3	0.69
Cameroon	0.506	2,174	3.3	2.3	54.3	64	2.6	0.66
Canada	0.950	31,263	5.37	8.5	77.5	2,989	1.1	0.97



Cape Verde	0.722	5,727	*	*	59.2	185	2	0.73
Central African Republic	0.353	1,094	*	2.4	53.9	47	2.3	0.42
Chad	0.368	2,090	2.61	2	49.8	51	2.8	0.29
<b>Chile</b>	<b>0.859</b>	<b>10,874</b>	<b>4.85</b>	<b>7.3</b>	<b>79.3</b>	<b>707</b>	<b>1.5</b>	<b>0.91</b>
China	0.768	5,896	4.24	3.3	53.4	278	1.2	0.84
Colombia	0.790	7,256	4.04	3.9	60.1	522	2	0.86
Comoros	0.556	1,943	*	*	*	25	3.1	0.53
Congo (Brazzaville)	0.520	978	*	2	*	23	3.2	0.72
Congo (Kinshasa)	0.391	705	*	2.2	43.7	14	2.9	0.54
Costa Rica	0.841	9,481	4.25	4.1	66.4	616	2.5	0.87
Côte d'Ivoire	0.421	1,551	*	2.1	57.2	57	3.4	0.46
Croatia	0.846	12,191	4.26	3.4	54.1	838	0.2	0.9
Cuba	0.826	*	*	3.5	29.3	251	0.7	0.93
Cyprus	0.903	22,805	4.36	5.6	71.8	1143	1	0.91
Czech Republic	0.885	19,408	4.74	4.8	66.8	1302	0.1	0.93
Denmark	0.943	31,914	5.7	9.5	75.4	2,762	0.2	0.99
Djibouti	0.494	1,993	*	*	54.3	72	4.3	0.52
Dominica	0.793	5,643	*	4.5	*	320	0.3	0.86
Dominican Republic	0.751	7,449	3.75	2.8	57.1	335	1.9	0.83
Ecuador	0.765	3,963	3.67	2.3	54.8	220	2.2	0.86
Egypt	0.702	4,211	4.07	3.3	53.9	235	2.1	0.73
El Salvador	0.729	5,041	4.09	4	70.5	378	1.7	0.76
Equatorial Guinea	0.653	20,510	*	2.1	52.4	179	2.7	0.77
Eritrea	0.454	977	*	2.9	*	50	2.4	0.5
Estonia	0.858	14,555	5.12	6.7	74.9	682	-0.2	0.97
Ethiopia	0.371	756	2.99	2.4	51.7	20	2.7	0.4
Fiji	0.758	6,066	*	*	58.1	220	1.3	0.87
<b>Finland</b>	<b>0.947</b>	<b>29,951</b>	<b>5.76</b>	<b>9.6</b>	<b>73.3</b>	<b>2,108</b>	<b>0.4</b>	<b>0.99</b>
France	0.942	29,300	5.31	7.4	61.9	2,902	0.5	0.97
Gabon	0.633	6,623	*	3	55.5	255	2.8	0.71
Gambia	0.479	1,991	3.43	2.5	57.1	96	3.4	0.42
Georgia	0.743	2,844	3.73	2.8	63.5	174	-0.3	0.91
Germany	0.932	28,303	5.58	8	71.4	3,001	0.2	0.96
Ghana	0.532	2,240	*	3.3	55.3	98	2.6	0.54
Greece	0.921	22,205	4.33	4.4	59.7	1,997	0.7	0.97
Grenada	0.762	8,021	*	3.5	*	473	0.4	0.88

Guatemala	0.673	4,313	3.91	2.6	60.1	235	2.4	0.68
Guinea	0.445	2,180	*	1.9	52.9	95	2.7	0.34
Guinea-Bissau	0.349	722	*	*	47.2	45	3	0.39
Guyana	0.725	4,439	3.24	2.5	57.2	283	0.1	0.9
Haiti	0.482	1,892	*	1.8	49.2	84	1.8	0.5
Honduras	0.683	2,876	3.58	2.5	58.7	184	2.9	0.77
Hong Kong	0.927	30,822	5.46	8.3	89.3	*	7.8	0.88
Hungary	0.869	16,814	4.52	5.2	64.7	1,269	-0.1	0.95
Iceland	0.960	33,051	5.4	9.6	76.5	3,110	1	0.98
India	0.611	3,139	4.44	3.3	52.4	82	1.9	0.61
Indonesia	0.711	3,609	4.26	2.4	52.7	113	1.7	0.83
Iran	0.746	7,525	*	2.7	44.1	498	2.5	0.75
Ireland	0.956	38,827	5.21	7.4	82.1	2,496	0.9	0.99
Israel	0.927	24,382	5.38	5.9	64.2	1,911	2.3	0.95
Italy	0.940	28,180	4.46	4.9	61.9	2,266	0.2	0.96
Jamaica	0.724	4,163	4.1	3.7	66.9	216	0.9	0.79
Japan	0.949	29,251	5.6	7.6	72.8	2,244	0.5	0.94
Jordan	0.760	4,688	4.25	5.3	62.7	440	3.6	0.86

Country	HDI 2004 <sup>1)</sup>	GNP 2004 <sup>2)</sup>	GCI 2006 <sup>3)</sup>	CPI 2006 <sup>4)</sup>	EF 2006 <sup>5)</sup>	HE 2003 <sup>6)</sup>	PG 1975-2004 <sup>7)</sup>	EDU 2004 <sup>8)</sup>
Kazakhstan	0.774	7,440	4.19	2.6	59.7	315	0.2	0.96
Kenya	0.491	1,140	3.57	2.2	60.0	65	3.1	0.69
Korea, Rep.	0.912	20,499	5.13	*	66.9	1,074	1	0.98
Kuwait	0.871	19,384	4.41	4.8	66.7	567	3.3	0.87
Kyrgyzstan	0.705	1,935	3.31	2.2	61.0	161	1.6	0.92
Lao	0.533	1,954	*	2.6	46.4	56	2.2	0.66
Latvia	0.845	11,653	4.57	4.7	67.2	678	-0.2	0.96
Lebanon	0.774	5,837	*	3.6	58.4	730	1	0.86
Lesotho	0.494	2,619	3.22	3.2	54.6	106	1.6	0.77
Libyan	0.798	7,570	*	2.7	33.2	327	2.9	0.86
Lithuania	0.857	13,107	4.53	4.8	71.8	754	0.1	0.97
Luxembourg	0.945	69,961	5.16	8.6	76.1	3,680	0.8	0.94
Macedonia	0.796	6,610	3.86	2.7	59.6	389	0.7	0.87
Madagascar	0.509	857	3.27	3.1	61.1	24	2.9	0.66
Malawi	0.400	646	3.07	2.7	56.5	46	3	0.64
Malaysia	0.805	10,276	5.11	5	62.3	374	2.4	0.84
Maldives	0.739	*	*	*	*	364	2.9	0.87
Mali	0.338	998	3.02	2.8	54.1	39	2.6	0.24
Malta	0.875	18,879	4.54	6.4	67.3	1,436	0.9	0.86
Mauritania	0.486	1,940	3.17	3.1	55.6	59	2.5	0.49
Mauritius	0.800	12,027	4.2	5.1	67.5	430	1.1	0.81
Mexico	0.821	9,803	4.18	3.3	64.9	582	2	0.86
Moldova	0.691	1,729	3.71	3.2	58.3	177	0.3	0.89
Mongolia	0.691	2,056	3.6	2.8	61.8	140	2	0.91
Morocco	0.640	4,309	4.01	3.2	52.3	218	2	0.54
Mozambique	0.390	1,237	2.94	2.8	53.1	45	2.1	0.47
Myanmar	0.581	1,027	*	1.9	*	51	1.7	0.76
Namibia	0.626	7,418	3.74	4.1	60.3	359	2.8	0.79
Nepal	0.527	1,490	3.26	2.5	54.5	64	2.3	0.51
Netherlands	0.947	31,789	5.56	8.7	74.8	2,987	0.6	0.99
New Zealand	0.936	23,413	5.15	9.6	81.7	1,893	0.9	0.99
Nicaragua	0.698	3,634	3.52	2.6	63.1	208	2.5	0.75

Niger	0.311	779	*	2.3	52.4	30	3.2	0.26
Nigeria	0.448	1,154	3.45	2.2	48.4	51	2.7	0.63
Norway	0.965	38,454	5.42	8.8	68.5	3,809	0.5	0.99
Occupied Palestinian Territories	0.736	*	*	*	*	*	3.6	0.89
Oman	0.810	15,259	*	5.4	63.9	419	3.5	0.77
Pakistan	0.539	2,225	3.66	2.2	59.3	48	2.8	0.46
Panama	0.809	7,278	4.18	3.1	65.5	555	2.1	0.88
Papua New Guinea	0.523	2,543	*	2.4	*	132	2.4	0.52
Paraguay	0.757	4,813	3.33	2.6	56.3	301	2.8	0.86
Peru	0.767	5,678	3.94	3.3	60.3	233	2.1	0.87
Philippines	0.763	4,614	4	2.5	57.2	174	2.3	0.89
Poland	0.862	12,974	4.3	3.7	58.6	745	0.4	0.95
Portugal	0.904	19,629	4.6	6.6	63.4	1,791	0.5	0.96
Qatar	0.844	19,844	4.55	6	62.4	685	5.2	0.85
Romania	0.805	8,480	4.02	3.1	58.2	540	0.1	0.9
Russian Federation	0.797	9,902	4.08	2.5	52.7	551	0.2	0.95
Rwanda	0.450	1,263	*	2.5	52.8	32	2.4	0.61
Saint Kitts and Nevis	0.825	12,702	*	*	*	670	-0.2	0.92
Saint Lucia	0.790	6,324	*	*	*	294	1.3	0.89
Saint Vincent and the Grenadines	0.759	6,398	*	*	*	384	0.7	0.81
Samoa (Western)	0.778	5,613	*	*	*	209	0.7	0.9
São Tomé and Príncipe	0.607	1,231	*	*	*	93	2.1	0.76
Saudi Arabia	0.777	13,825	*	3.3	63.8	578	4.1	0.72
Senegal	0.460	1,713	*	3.3	56.2	58	2.7	0.39
Seychelles	0.842	16,652	*	3.6	*	599	1	0.88
Sierra Leone	0.335	561	*	2.2	45.8	34	2.1	0.45
Singapore	0.916	28,077	5.63	9.4	89.1	1,156	2.2	0.91
Slovakia	0.856	14,623	4.55	4.7	68.7	777	0.5	0.92
Slovenia	0.910	20,939	4.64	6.4	62.4	1,669	0.4	0.98
Solomon Islands	0.592	1,814	*	4.6	*	87	3	0.67
South Africa	0.653	11,192	4.36	5.1	63.5	669	2.1	0.8
Spain	0.938	25,047	4.77	6.8	68.9	1,853	0.6	0.98
Sri Lanka	0.755	4,390	3.87	3.1	58.6	121	1.3	0.81
Sudan	0.516	1,949	*	2	*	54	2.5	0.53
Suriname	0.759	*	3.45	3	54.7	309	0.7	0.84
Swaziland	0.500	5,638	*	2.5	61.8	324	2.3	0.72

Sweden	0.951	29,541	5.74	9.2	70.6	2,704	0.3	0.98
Switzerland	0.947	33,040	5.81	9.1	79.0	3,776	0.5	0.95
Syrian Arab Republic	0.716	3,610	*	2.9	51.0	116	3.1	0.74
Tajikistan	0.652	1,202	5.41	2.2	52.7	71	2.2	0.9
Tanzania	0.430	674	3.5	2.9	58.5	29	2.9	0.62
<b>Thailand</b>	<b>0.784</b>	<b>8,090</b>	<b>4.58</b>	<b>3.6</b>	<b>64.5</b>	<b>260</b>	<b>1.5</b>	<b>0.86</b>
Timor-Leste	0.512	*	2.9	2.6	*	125	1	0.63
Togo	0.495	1,536	*	2.4	47.3	62	3.1	0.54
Tonga	0.815	7,870	*	*	*	300	0.4	0.93
Trinidad ad Tobacco	0.809	12,182	4.03	3.2	71.2	532	0.9	0.88
Tunisia	0.760	7,768	*	4.6	56.8	409	2	0.75
Turkey	0.757	7,753	4.14	3.8	57.8	528	1.9	0.81
Turkmenistan	0.724	4,584	*	2.2	43.8	221	2.2	0.91
Uganda	0.502	1,478	3.19	2.7	64.5	75	3.3	0.67
Ukraine	0.774	6,394	3.89	2.8	54.6	305	-0.1	0.94
United Arab Emirates	0.839	24,056	4.66	6.2	62.4	623	1	0.71

Country	HDI 2004 <sup>1)</sup>	GNP 2004 <sup>2)</sup>	GCI 2006 <sup>3)</sup>	CPI 2006 <sup>4)</sup>	EF 2006 <sup>5)</sup>	HE 2003 <sup>6)</sup>	PG 1975-2004 <sup>7)</sup>	EDU 2004 <sup>8)</sup>
United Kingdom	0.940	30,821	5.54	8.6	80.6	2,389	7.2	0.97
United States	0.948	39,676	5.61	7.3	81.1	5,711	0.2	0.97
Uruguay	0.851	9,421	3.96	6.4	65.8	824	0.7	0.95
Uzbekistan	0.696	1,869	*	2.1	49.2	159	2.2	0.91
Vanuatu	0.670	3,051	*	*	*	110	2.5	0.71
Venezuela,	0.784	6,043	3.69	2.3	45.0	231	2.5	0.87
Vietnam	0.709	2,745	3.89	2.6	50.1	164	1.9	0.81
Yemen	0.492	879	*	2.6	51.8	89	3.7	0.51
<b>Zambia</b>	<b>0.407</b>	<b>943</b>	<b>3.16</b>	<b>2.6</b>	<b>57.6</b>	<b>51</b>	<b>2.8</b>	<b>0.63</b>
Zimbabwe	0.491	2,065	3.01	2.4	33.4	132	2.5	0.77

**Data sources:**

**United Nation Development Programme (UNDP): Human Development Report 2006:**

<http://hdr.undp.org/en/reports/global/hdr2006/chapters/>

<sup>1)</sup> HDI: Human Development

Index value 2004

<sup>2)</sup> GNP: Gross National Product per capita 2004 (PPP US\$)

<sup>6)</sup> HE: Health expenditure per capita 2003 (PPP US\$)

<sup>7)</sup> PG: Annual population growth rate (%) 1975-2004

<sup>8)</sup> EDU: Education index 2004

**World Economic Forum:**

[http://www.weforum.org/pdf/Global\\_Competitiveness\\_Reports/Reports/gcr\\_2006/gcr2006\\_rankings.pdf](http://www.weforum.org/pdf/Global_Competitiveness_Reports/Reports/gcr_2006/gcr2006_rankings.pdf)

<sup>3)</sup> GCI: Global Competitiveness

Index 2006:

**Transparency International:**

[http://transparency.org/policy\\_research/surveys\\_indices/cpi](http://transparency.org/policy_research/surveys_indices/cpi)

<sup>4)</sup> CPI: Corruption perceptions

index 2006

**The Heritage Foundation:**

<http://www.heritage.org/research/features/index/downloads/2008PastScores.xls>

<sup>5)</sup> EF: Index of Economic Freedom

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