Developing countries start the decade facing two major challenges. First, they must strive to continue their social and economic development in an international climate that looks less helpful than it did a decade—or even a year—ago. Second, they must tackle the plight of the 800 million people living in absolute poverty, who have benefited much too little from past progress. This Report examines some of the difficulties and prospects in both areas, looking as far ahead as 2000, but paying particular attention to the next 5 to 10 years.

One of its central themes is the importance of people in development. Adam Smith’s observation that the prosperity of a nation is determined mainly “by the skill, dexterity, and judgment with which its labor is generally applied” has lost none of its truth. In the difficult economic conditions of the past six years, as in earlier years, most of the fastest-growing developing countries without oil have had well-educated populations. Better health and more education can also help the poorest people climb out of their poverty.

The economic outlook

As in the two previous World Development Reports, economic projections for the developing countries have been carried out, drawing on the World Bank’s analysis of what determines country and regional growth. These projections are intended to illustrate the likely outcome of different policies, rather than to provide precise forecasts. Two sets of projections are presented in Chapter 2, based on differing growth rates in the industrial world and policy responses in developing countries. This year the analysis has been extended to provide separate estimates for oil-importing and oil-exporting developing countries, as well as by region and income level.

The analysis indicates that world economic growth will be sluggish during the next few years, as oil-importing countries reduce their current account deficits and adapt to higher energy costs. But the policies adopted during the adjustment period will have some effect on growth then—and even more on the recovery expected after 1985.

International finance will play a crucial role in the 1980s: unless the developing (and other oil-importing) countries can fund their large projected balance-of-payments deficits, output and growth will be seriously affected. The domestic policies of developing countries will also be crucial: the more efficiently they use their imports, their investments, and their energy supplies, and the more they increase their saving and investment, the faster will be their growth. The fate of poor people in developing countries will likewise be decided largely by domestic opportunities and policies.

None of this, though, detracts from the importance of the role of industrialized countries. Chapter 3 examines three of the economic links that bind the world together—trade, energy and capital flows—and analyzes the fundamental issues in these areas, issues that must be resolved chiefly by the industrialized countries. Because they take about 65 percent of developing country exports, their growth rates and trade policies largely determine how much the developing countries can export. Because they account for more than half of world energy consumption, it is their conservation (or lack of it) that has the biggest impact. And most of the foreign capital that the developing countries need must come through the industrial world’s banks or directly from its aid programs.

The role of human development

The past three decades have seen some impressive changes in the lives of people in the developing world. Average incomes have doubled. Average life expectancy has increased from 42 to 54 years. The proportion of adults who are literate has risen from about 30 percent to more than 50 percent. There has been a significant closing of the gap between industrialized and developing countries in life expectancy, literacy and primary school enrollment.

But there is still a long way to go. More than three-quarters of a
billion people have barely enough income to keep themselves alive from week to week. In the low-income countries people on average live 24 years less than they do in the industrialized countries. Some 600 million adults in developing countries are illiterate; a third of the primary school-age children (and nearly half of the girls) are not going to school.

This state of affairs is the starting point for Part II of the Report. Chapter 4 provides an overview of the various ways of attacking absolute poverty. The sources of growth, and policies to accelerate it, are examined, as are a wide range of measures—employment creation, land reform, schooling and so on—to raise the incomes specifically of poorer groups.

The rest of the Report, beginning with Chapter 5, singles out for closer examination one particular approach to poverty—human development—which epitomizes the familiar idea that poor people should be helped to help themselves. Better education, health and nutrition have long been considered important ends of development. They can also raise incomes and reduce fertility. Human development alone cannot overcome absolute poverty; but it is an essential complement to other steps to raise the productivity and incomes of the poor.

Chapter 5 provides a detailed look at education, health, nutrition and fertility. In each of these areas, it explains why the poor are deprived, and discusses the policies needed to overcome their deprivation. Special attention is given to the practical consensus that has recently emerged in several areas—including nutrition policy, primary health care and the role of family planning programs in reducing fertility. These different areas of human development influence each other; education is seen to be of central importance.

Chapters 6 and 7 draw conclusions from experience with human development programs. Chapter 6 shows how common financial, administrative and political constraints have been eased, and considers the role of foreign assistance. It also looks at ways of overcoming the cultural and economic barriers that stop poor people and their children—especially their daughters—from using human development services.

Chapter 7 focuses on broader planning issues—including the tradeoffs between growth and poverty reduction, and the allocation of resources between human development and other activities. It examines these and more specific human development issues as they apply to the different regions of the developing world. Chapter 8 contains a summary of the main arguments and conclusions of Parts I and II.