



COMMITTEE FOR DEVELOPMENT PLANNING

REPORT ON THE FIFTEENTH SESSION

(26 March - 5 April 1979)

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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

Reference to "dollars" (\$) indicates United States dollars.

Annual rates of increase refer to annual compound rates.

The following abbreviations have been used.

IMF International Monetary Fund

ODA official development assistance

OPEC Organization of the Petroleum Exporting Countries

SDR special drawing rights of the International
Monetary Fund

UNCTAD United Nations Conference on Trade and Development

E/1979/37

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INTRODUCTION

1. The Committee for Development Planning held its fifteenth session at United Nations Headquarters in New York from 26 March to 5 April 1979. Nineteen members of the Committee attended the session: Maria AUGUSTINOVICS, Chedly AYARI, Moinuddin BAQAI, BONGOY Mpekesa, H. C. BOS, Ester BOSERUP, Gerhard FELLS, R. K. A. GARDINER, Richard JOLLY, V. N. KIRICHENKO, John P. LEWIS, Gabriel MIGNOT, Saburo OKITA, H. M. A. ONITIRI, Jozef PAJESTKA, I. G. PATEL, Justinian F. RWEYEMAMU, Germánico SALGADO and Leopoldo SOLIS. Four members were unable to attend: Ungku ABDUL AZIZ, Jose ENCARNACION, Jr. Saeb JAROUDI and Isaac KERSTENETZKY.

2. The Committee noted that G. Arthur Brown had relinquished his membership of the Committee as at 1 May 1978 when he assumed duties as the Deputy Administrator of the United Nations Development Programme. The Committee expressed its appreciation for the contribution made by Mr. Brown during the period he served as a member.

3. Accepting the request of John P. Lewis to be relieved of the duties of Rapporteur, the Committee expressed its gratitude to him for the competence and integrity with which he performed those duties during the period 1972-1978. It then elected Richard Jolly as the Rapporteur for the remainder of the current term. The Chairman and the Vice-Chairman of the Committee for the current term were elected at the preceding session. Thus, the officers for the term ending on 31 December 1980 are:

Chairman	Germánico Salgado
Vice-Chairman	Maria Augustinovics
Rapporteur	Richard Jolly

4. The Director-General for Development and International Economic Co-operation and the Assistant Secretary-General for Development Research and Policy Analysis made introductory statements at the opening meeting of the session.

5. Substantive services at the session were provided by the Department of International Economic and Social Affairs of the United Nations Secretariat. The Committee was also assisted by the representatives of the Secretariat's Department of Technical Co-operation for Development and the Secretariat's Centre on Transnational Corporations, as well as by the representatives of the secretariats of the Economic Commission for Europe, the Economic and Social Commission for Asia and the Pacific, the Economic Commission for Latin America, the Economic Commission for Africa, the Economic Commission for Western Asia, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the United Nations Environment Programme, the United Nations Children's Fund, the United Nations Development Programme, the World Food Programme, the United Nations

Institute for Training and Research, the International Labour Organisation, the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization, the International Bank for Reconstruction and Development, the International Monetary Fund, the World Meteorological Organization, the Council for Mutual Economic Assistance, the Organisation for Economic Co-operation and Development and the Organization of American States.

6. The Committee adopted the following agenda:

1. Adoption of the agenda
2. Preparation of comments and recommendations relating to the fourth over-all review and appraisal of progress in the implementation of the International Development Strategy for the Second United Nations Development Decade
3. Consideration and identification of possible elements for a new international development strategy
4. Arrangements for future work
5. Adoption of the report of the Committee to the Economic and Social Council.

In view of the close links between agenda items 2 and 3, the Committee decided to consider them in an interrelated manner. It took note in that connexion of General Assembly resolutions 33/48, 33/193 and 33/200 and Economic and Social Council resolution 1978/35.

7. The Committee's deliberations were greatly facilitated by the findings and conclusions of the two working groups which met prior to the fifteenth session. The Working Group on Quantitative Studies, which met from 6 to 10 November 1978, consisted of Maria Augustinovics, H. C. Bos (Chairman), Jose Encarnacion, Jr., Isaac Kerstenetzky, Gabriel Mignot, H. M. A. Onitiri and Rodolfo Stavenhagen (a co-opted member). The Working Group on Development Strategies and Policies met from 11 to 15 December 1978; it consisted of Moinuddin Baqai, Bongoy Mpekesa, Ester Boserup, Richard Jolly and Leopoldo Solís (Chairman).

8. The Committee's comments and recommendations based on its consideration of agenda items 2 and 3 are set forth in chapters I-IV of the present report. Chapter V describes the arrangements for future work. The documents that were before the Committee are listed in the annex.

Chapter I

THE SETTING

A. The experience of the 1970s

9. The International Development Strategy for the Second United Nations Development Decade (General Assembly resolution 2626 (XXV)) was formulated on the premise that steady economic growth on the post-war pattern would continue within the developed countries and that, with some improvements in aid, the growth in the developed countries would provide a dynamic international framework for economic growth in developing countries, which would thus add significantly to the effectiveness of their own efforts to step up investment and increase productivity in general.

10. As the Decade draws to a close, it appears that its underlying premise was both over-optimistic and misdirected:

(a) Steady expansion has not continued. Fitful and uneven economic growth has been the pattern for both developing and developed countries.

(b) Economic growth for the low-income countries has averaged less than 4 per cent per year and less than 1.5 per cent per capita in the group of countries which includes almost two thirds of the people of the developing countries, situated mainly in the poverty belts of Southern Asia and Africa south of the Sahara.

(c) Although economic growth has been above target in some developing countries, notably those with oil and rapidly growing exports, the gains have often improved living standards less than was envisaged and have occurred in spite of reduced economic growth in the developed countries rather than as the result of high growth.

(d) In general, the economies of developing countries have remained highly vulnerable to external economic forces and other sources of instability.

11. These and other experiences of the 1970s have contributed to important changes in development thinking, with more emphasis being put on the need for structural and institutional changes, internationally as well as nationally. The very fact that the Second Development Decade target of 6 per cent annual growth in gross domestic product for the developing countries as a whole is likely to be almost achieved over the 1970s has underlined the inadequacy of such an aggregative global target. Changes in styles of development, in international economic relationships and in control over the crucial international economic institutions are now seen as basic requirements for a more balanced world economy and for accelerated development in the poor countries.

12. Over the Decade, manufacturing output in developing countries as a whole expanded annually by 8 per cent, the rate specified in the Strategy. A number of developing countries have emerged as significant exporters of manufactured goods and their present major constraint is the growing tide of protectionism in the developed countries. Trade among developing countries in such goods has also gathered momentum. The industrialization of developing countries remains full of striking contrasts, however. In the low-income developing countries, for example, the rate of industrial expansion has been well below the group average; in the least developed among them, industrialization generally remains at a very low level.

13. Agricultural production has lagged badly in the developing world in general, but particularly so in the low-income countries. For the developing countries as a whole, the rate of increase in agricultural production has barely kept pace with the growth of population, and has fallen far short of the 4 per cent per annum increase called for in the Strategy. In many developing countries, the slow pace of agricultural production has impeded the expansion of industry and other key components of the economy, has sparked inflation and has accentuated balance of payments deficits. Dependence on food imports from the developed countries has grown.

14. Unemployment and underemployment have continued to be acute in much of the developing world. Rapid urbanization has created a variety of strains and social costs, which have been evident in the growth of slums and shanty towns, in the pressing demand for schools and hospitals and in the over-loading of transportation facilities. Some progress has been made in respect of education and health, but the deficiencies are still many and the gaps in the availability of such basic facilities are still very wide both among and within countries. Income disparities continue to widen not only internationally but also nationally. Very large numbers of persons are still living in extreme poverty.

15. The saving efforts of developing countries have yielded somewhat better results than had been envisaged in the Strategy, although, again, most least developed countries have lagged considerably behind. The general pattern of rising levels of domestic saving has contributed significantly to raising the levels of capital formation for expansion of productive capacity. The expansion of investment, however, has fallen short of needs, in part because the saving efforts of developing countries have not been matched by commensurate international efforts in the form of financial assistance.

16. The target of the Strategy for the net flow of official development assistance from developed to developing countries remains far from fulfilled; indeed, there has even been some retrogression. Some developed countries with market economies have equalled or exceeded the target of 0.7 per cent of gross national product. But, because of the shortfalls in contributions from others, especially from the larger countries, the ratio of the net flow of official development assistance from the developed market economies as a group to their gross national product has been declining and currently amounts to not even half of the level specified in the Strategy. The comparable ratio for the flow from the developed countries with centrally planned economies is much smaller. The distribution of financial assistance from the developed countries remains grossly insufficient, especially for the low-income countries. For some of the low-income countries for which aid programmes were begun early, net aid inflows have actually declined, substantially in real terms and prematurely in relation to needs. Given the important difference between fresh flows of assistance which are tied and repayments of debt which are in flexible foreign exchange, the net benefit of development assistance is reduced even more sharply.

17. There are some brighter points. Some aid-giving countries have taken encouraging steps to alleviate the burden of past debts. The petroleum-exporting developing countries have provided development assistance that, in relation to their gross national product, is far greater than the corresponding contributions from developed countries, although the distribution of this assistance among the recipient countries is also very uneven. Over all, however, the trends in the flow of financial assistance from developed countries remain a disturbing saga of erosion and retrogression. The shortfalls in the availability of official development assistance have restricted the expansion of imports in real terms, which in turn has restrained the expansion of capital formation.

18. In contrast with official development assistance, flows of private finance have increased rapidly, especially in various forms of commercial borrowing. These have done much to maintain imports, though their distribution among developing countries has been very uneven and the accumulated debt burden has introduced an element of uncertainty about the stability and sustainability of such financing in the future.

19. Economic recession in the mid-1970s was not the only major unforeseen event of the current Decade. The world economy has also experienced other shocks and turbulences, notably those linked to the breakdown of the Bretton Woods system of fixed exchange rates, the spiralling prices of food grain, fuel, fertilizer and other crucial goods, and the worsening of external payments imbalances. These events have played a pervasive role; they have been especially deleterious for the steady progress of the poorer countries.

20. A further cause of the unsatisfactory results in implementing the tasks of the International Development Strategy for the current Decade is the continuance of the economic structures of dependency in the developing countries. In part, these structures constitute inherited dependent relationships with developed market economies; in part, they are manifestations of new forms of dominance which have reinforced the unequal position of developing countries, especially the less developed ones, and which counteract the implementation of the goals of a new international economic order.

21. Five years have elapsed since the Members of the United Nations solemnly proclaimed their united determination to work urgently for the establishment of a new international economic order (see General Assembly resolution 3201 (S-VI)). Recent trends and events suggest that, on the eve of a new development decade, that new international economic order is no nearer to attainment than it appeared to be in 1974 when the proclamation was made by the United Nations General Assembly.

B. Challenges for the new strategy

22. The ultimate goal of the new international development strategy must be to help build a better world, a world which is more secure, equitable and stable and in which the living standards of the poorest parts of its population are raised in a sustained and rapid manner.

23. To this end, the strategy must help (a) to redress the inequities in the relations between richer and poorer nations; (b) to establish a more dynamic, more stable and less vulnerable world economy, in which all countries have opportunities to participate on a fuller and more equal basis; (c) to stimulate accelerated

economic growth in the poorer countries of the world; and (d) to reduce and eventually overcome the worst aspects of poverty by improving the lot of the hundreds of millions of people now living in abject poverty and despair.

24. To achieve such goals is a long-term process: an international strategy, even if successful, can only be a step towards the achievement of these goals. The primary initiatives - and the sustained effort on which the ultimate results will depend - are internal to countries both developing and developed. The role of an international strategy is to provide a frame for concerted international action, both to provide positive support for domestic action and, what is equally important, to minimize the constraints and negative influences from outside which too often frustrate or distort national development.

25. The attainment of these fundamental development goals is crucially dependent on changes in the existing international order. Changes will be needed to help build a more stable and reliable international system of economic relations, reduce the uncertainty which has characterized the world economy in the 1970s and restore confidence in the working of the global economic system. Elements of its structure which are responsible for the perpetuation of tendencies to concentrate wealth and power in the hands of those who are already rich and powerful - be they nations, enterprises or people - need to be progressively changed and replaced by mechanisms, rules and institutions that will help promote a more balanced and equitable international development process, with a fairer distribution of costs and benefits. True international economic interdependence will require equity, full respect for sovereignty of States and international co-operation systems based on common interests, irrespective of different economic and social systems.

26. In evolving patterns of development and change, strong pressures exist for uniformity of aspirations and means. Developing countries have a difficult task in an increasingly interdependent world, to monitor and regulate both the pace and content of change affecting the entire fabric of economic and social relationships. Mere imitation of life-styles and development patterns evolved over a period of sustained development in other countries, often ahead of and even unrelated to the growth and expansion of production possibilities, can create serious problems. Neglect or destruction of national values and national identity creates social tensions, particularly if changes are not fully absorbed by a wide spectrum of the society, giving rise to isolated subcultures replacing social cohesion. We see in the world today a certain reaction to this and a search for alternative development patterns and life-styles which give more weight to human values and patterns of social relationship, seeking to integrate needed changes with the accepted value structure of individual developing countries. The economic and political implications - and viability - of such alternatives have, for the most part, yet to be explored. Our conviction, as a Committee, is that this growing emphasis on alternatives is of immense and fundamental importance for the future of all societies and needs to be encouraged and developed into constructive measures.

27. Innovation in this respect has to take into account the need for mobilizing the productive contribution of large sections of society whose under-privileged status has in the past held back economic progress. This applies with special emphasis to the role of women. Social change needs to be planned with much more care and deliberation in various countries than either simple imitation or reaction to it would imply. Economic development has to be conceived as part of a much wider change, the nature of which cannot be uniformly specified for all developing countries.

28. We also underline our belief that the rich countries as well as the poor have a long-term interest in a more balanced pattern of world development, including the eradication of the worst aspects of poverty in all countries. It is not for other countries to specify how each nation should plan its development. But there is an international interest and role for them in supporting such developments, especially the strategies and programmes of poorer countries.

29. At the same time, support and concern for alleviating the lot of the poorest strata of society have often led to misguided concentration, in the allocation of external assistance, on financing only projects unambiguously designed to make a direct and immediate impact on mass poverty. Apart from encouraging isolated initiatives rather than integrated long-term strategies of development, excessive emphasis on direct financing of so-called anti-poverty programmes has slowed down the utilization of aid and has retarded progress towards some much-needed innovations in aid finance, such as financing of non-project requirements, where even the little progress made after a long struggle is now being reversed. A similar danger of oversimplification exists also in regard to allocation of internal resources. It is this danger which is at the root of controversies regarding the "basic needs" approach. The Committee is firmly of the opinion that the important and legitimate concern for alleviation of mass poverty should not degenerate into slogans and a search for conspicuous visibility in the allocation of resources in the short run. Rather it should build up the potential strength for making a lasting and sizable impact on the many factors which underlie mass poverty and which not only make some countries very poor but also give them a relatively poor record of economic growth.

30. Finally, the strategy, if it is to be more operational than those of the earlier two decades, cannot be limited to formulating broad goals and objectives. It must identify concrete and effective means of implementation and policy changes, both at the international and at the national level, for developed and developing countries, for the achievement of its objectives. We see a new and enlarged role for regional action in this process. We also see a need to identify much more specifically the implications of the strategy for priorities in the work of the United Nations organizations and agencies themselves.

Chapter II

TOWARDS A NEW INTERNATIONAL ORDER

31. As stated in our 1978 report, ^{1/} we believe that the international development strategy for the 1980s should be concerned as much with institutional and qualitative change as with the achievement of quantitative targets of economic growth. The most important changes relate to the reform and refashioning of the international economic system, to avoiding the recurrence of the instabilities and disequilibria of the 1970s and to establishing a fairer and more equitable basis for its functioning in the 1980s.

32. In our view, efficiency and equity are as closely linked internationally as they are within national economies. The international system will not be viable if countries, representing a majority of mankind, which are increasingly important economically, feel it does not fairly represent their interests. At the same time, changes in the system, or even in small parts of it, can prove very disruptive to the stability of the whole, unless they are undertaken in a co-ordinated and co-operative manner. Experience in the 1970s has shown the very great political and economic difficulties in agreeing on international reform, let alone in implementing it. There are few signs to encourage the belief that reform will be much easier in the 1980s. But, as a committee of individuals, representing a variety of points of view, we share the conviction that the losses to the international community, and to most countries within it, from failing to make substantive moves towards a new, efficient and more generally acceptable international economic system are likely to far outweigh any costs of change.

33. It is now widely understood, particularly by the developing nations, that the development of any country depends primarily on its internal factors and forces - political, economic and social. Nevertheless, it is also a fact that most of the poor nations of the world have very unfavourable development conditions, and their efforts may be frustrated or even paralysed in the absence of appropriate international action. A primary objective of the international development strategy should be to create the favourable external conditions in which the developing countries will be able to pursue successfully their national objectives of self-sustained development. In reorganizing the international economic system, the world community should provide conditions for:

(a) Accelerating the rate of progress of the developing countries, particularly of the poorest ones;

(b) Enabling each nation to pursue its own development pattern, suited to its own socio-economic conditions and cultural traditions, and facilitating development patterns that involve and bring benefits to a wide stratum of people;

^{1/} See Official Records of the Economic and Social Council, 1978, Supplement No. 6, and corrigendum, para. 35.

(c) Providing appropriate measures for diminishing the vulnerabilities of the developing countries and strengthening their economic security;

(d) Supporting national and transnational projects and programmes aimed at the solution of certain crucial development problems.

A. A framework for the third United Nations development decade

34. The functioning of the international economic system is at present characterized by major asymmetries and distortions - asymmetries that are detrimental to the interests of the developing countries. This is evident in the operation of many of the markets in which developing countries sell, especially commodities, manufactures and services, as well as in markets in which they buy, especially technology and finance. It is also evident in the mechanisms and institutions that generate and distribute international liquidity.

(a) The lack of finance to hold stocks of their commodities when prices are falling - that is, market staying power - often leads many developing commodity producers to sell their commodities at unremunerative prices. Commodity exports are also subject to significant instability.

(b) Developing countries attempting to diversify their economies towards manufacturing production face protectionist difficulties. They need access to markets for their growing exports of manufactures.

(c) In procuring technology, the developing countries are often in a weak position, especially vis-à-vis the transnational corporations. They need support for building indigenous technological capacity and better access to the international technology market.

(d) In obtaining finance, developing countries have as a group become increasingly dependent on the private international credit market. In the absence of adequate relief from appropriate policies of official development assistance, many poor and weaker countries have no significant access to non-project finance.

(e) Many markets, whether for commodities or services, outputs or inputs, are characterized by non-competitive pricing. Intra-firm transactions, trade through a third party, state trading, and imperfect and sometimes rigged markets make it difficult to ascertain whether and to what extent prices include oligopolistic or monopolistic rents.

35. The mechanisms for creating and distributing international liquidity are geared to the national policies of a few countries. Non-reserve-currency countries, including all developing countries, receive their liquidity by exchanging real goods and services or giving titles to assets for reserve-currency countries' liabilities. The dollar standard creates great instability of exchange rates for currencies, which not only affects the real value of current income of exporting countries but also gives rise to uncertainties that discourage investment, thus prolonging world recession. This argues for the establishment of the special drawing rights of the International Monetary Fund as the principal reserve asset - a standard which can assure symmetry in reserve creation.

36. The existing international financial and monetary institutions have made significant contributions to development through their project lending, balance-of-payments support and technical assistance. However, the influence of developed and developing countries is unbalanced in these international institutions, which makes for inequities and distrust.

37. These asymmetries are not only inequitable; they are part of a system which, over the 1970s, has proved inadequate to deal with the uncertainties and difficulties facing the world as a whole, especially persistent inflation, recession and unemployment in the greater part of the world. Economic difficulties, particularly under-utilization of capacity, have now persisted for some years in the developed market economies. Unemployment in developed countries with market economies has reached 17 million and is likely to increase further. In developing countries there is a threat of stagnation and increasing unemployment if protectionist tendencies continue in developed countries or if investments or financial inflows into developing countries decline.

38. The removal of these asymmetries and sources of inefficiency must be one of the essential elements of the new strategy. This objective could be formulated as acceptance at the international level of the same values and objectives regarding mutual rights and obligations as are now generally accepted at the national level - for example, opportunity for everyone to participate in economic activity and in decision making, to enjoy at least minimum standards of material welfare and to have the opportunity to realize one's full potential, irrespective of inherited advantages and disadvantages.

39. The international application of this approach will have to be adapted to the nature of the problems to be resolved. Six major areas of action - elaborated in section B below - can be distinguished; they concern measures related to:

Trade and adjustment

Flows of financial resources and development assistance

International liquidity

Technology and transnational corporations

Disarmament and world development

Accelerated growth and other development objectives for the 1980s.

40. The fulfilment of these requisites presupposes the acceptance of new "rules of the game", particularly with regard to the establishment of contractual procedures within a multilateral framework and to the criteria for intervention by international organizations. The new international order should constitute a framework for co-operation. The experience of the 1960s and an examination of medium-term and long-term perspectives demonstrate clearly that the acceptance of new rules of the game that are more balanced and collective is a prerequisite of the satisfactory evolution of the world economy as a whole.

41. Strengthening co-operation among developing countries has also, in this context, an important contribution to make. Offsetting dependence on the industrial countries means strengthening relations among less industrialized and newly industrializing countries.

42. The removal of the aforementioned asymmetries and inefficiencies constitutes the core of the new international economic order. The contribution of the third development decade to these objectives, which have been accepted by the international community, will be measured by the extent to which the existing mechanisms and institutions will be appropriately changed to assure a more stable and equitable system for all the participants.

B. Priority steps towards a new international order

1. Trade and adjustment

43. A first priority for the third development decade is for developing countries to have a rapid and steady increase in their exports of manufactured products. During the 1970s, manufactured exports from developing countries have grown significantly. Nevertheless, restricted access to the markets of the developed countries has inhibited developing countries from making full use of their comparative advantages and now casts doubt on the possibility of this process of export growth and international adjustment continuing into the 1980s.

44. Free and secure market access to the developed countries would greatly encourage further and rapid industrialization in the developing world. Moves towards this should become a constituent element of the new international development strategy. The developed countries themselves have recognized their own interests in trade liberalization as a measure for moderating inflationary pressures, increasing productivity and stimulating a dynamic world economy. Yet steps towards liberalization - which the outcome of current multilateral trade negotiations may slightly advance - are far from being sufficient and are in many cases being thwarted by new forces of protectionism. In implementing the new strategy, an agreement between developed and developing countries should be sought which contains a fixed time-table for the removal of all trade barriers vis-à-vis developing countries. In order to make the institutional framework for development as stable as possible, the use of escape clauses should be strictly limited - for example, by making their use dependent on international approval. Liberalization will also need to be linked to measures to help reduce unemployment within developed countries and to assistance programmes designed to facilitate the resettlement of workers into new lines of production.

45. Behind unemployment and inflation problems in developed market economies lies a complex mix of economic and social factors. Measures to combat over-all unemployment must include demand management and efforts to limit increases in unit labour costs as well as active labour-market policies. Within this framework, adjustment assistance will be necessary to cope with the unevenness of the impact that imports from developing countries often have. Adjustment assistance - in the context of industrial policies - must include measures to retrain displaced workers and facilitate their transfer to new industries. Where temporary migrant workers are displaced, special measures of international co-ordination will be needed if the burden of absorbing them productively is not simply to be passed to other countries. The decreasing competitiveness of older industries in developed countries also calls for an accelerated shift of capital into lines of production requiring more product sophistication, more specialized skills and technical complexities. The promotion of innovation and other risky investment should be considered as a means to this end.

46. Restrictive business practices have often been encouraged by protectionist pressures and have had a serious adverse effect on the production, marketing and exports of manufactures of the developing countries. Practices such as licensing, patent and cartel arrangements, price fixing and transfer pricing have not only restricted trade but have also prevented appropriate transfer of technology to the developing countries. A set of multilaterally agreed principles and rules for the control and elimination of restrictive business practices should be adopted as early as possible to remedy ~~this~~ situation.

47. Industrialization led by exports of manufactured products is neither a feasible nor adequate strategy for all developing countries. Most lower-income

countries in particular will continue throughout the 1980s to have their major trade interest in mineral commodities and agricultural products. They will need more stable and more advantageous exchange conditions than in past decades and strengthening of their market staying power.

48. The Common Fund under the Integrated Programme for Commodities of the United Nations Conference on Trade and Development provides the obvious framework for action to achieve this. There will also be a need to secure funding for the "second window", to support by several means the processing of raw materials in developing countries. The new institution should also be able to finance national stocks even outside the framework of international commodity arrangements, as a major contribution to the small commodity producers.

49. There are a number of agricultural policies of which are harmful to developing countries. The policies include prohibitive market barriers for many raw and processed agricultural products from developing countries. Liberalization in this field would improve the trade situation and stimulate agricultural production in the poorer countries. It should also belong to the priorities of the new strategy.

50. Although greater access to the markets of developed countries is vital, as are improvements in the terms on which trading relationships take place, co-operation among developing countries is likely to be of ever-increasing importance in the 1980s. In part, this is because the developing countries as a group are likely to form the most rapidly growing and dynamic markets of the world economy, just as they have in the last four years. But it is also because collective self-reliance provides the opportunity for developing countries to make a start among themselves on the very changes towards co-operation and improved trading relationships that should be part of the new international economic order.

2. Flows of financial resources and development assistance

51. Together with trade, the second major requirement for rapid growth in developing countries in the 1980s will be enlarged, more reliable and more stable flows of finance. In the case of the better-off developing countries, the bulk of these can be non-concessional. The 1970s have shown the enormous potential for such flows. There is however an urgent need for bilateral and multilateral government action to develop an array of mechanisms that will provide less fragile, longer-term flows of such finance, in some cases with greater elements of concessionality. Already the role of the World Bank and the regional development banks as financial intermediaries is significant and central in this regard and performed at almost insignificant cost to the international community. Along with the expansion of such devices as co-financing and programme leading and the exploration of new mechanisms, such as loan guarantees and interest subsidies, the basic lending capacities of the multilateral banks should be sharply increased.

52. In order to strengthen the institutional framework for recycling balance-of-payments surpluses, it would be highly desirable to promote arrangements for financial co-operation and direct transfer between developing countries, as a supplement to the role currently performed by the money and capital markets in certain developed countries.

53. Concessional finance will also have a vital part to play, however, especially for low-income countries. As regards a target for such transfers, we strongly support renewal of the objective of a net amount of 0.7 per cent of the gross

national product of the developed countries to be provided as official development assistance. Indeed, on technical grounds, if it were politically feasible, we would think an even larger flow both desirable and feasible in the longer run. But given inadequate past performance, even in relation to the 0.7 per cent target, we propose that the emphasis should be put on an increasing performance in relation to this target, not in changing the target. We nevertheless suggest that this target should be treated as a minimum, to be reached by the earlier years of the third development decade, and we would encourage others to follow the example of those countries which have already exceeded the target.

54. There is however an urgent need for increasing the proportion of ODA going to the low-income countries. At present, only about half of official development assistance goes to these countries. Yet they account for nearly two thirds of the population of the developing countries. At least two thirds and preferably more of total ODA should be concentrated on them throughout the 1980s.

55. Preliminary calculations underline the importance of these broad priorities. If one assumes that 100 per cent of the projected external resource deficit of the low-income countries (those with per capita incomes in 1975 of less than \$300) will need to be met from ODA, 50 per cent of the deficits in countries with per capita incomes between \$300 and \$700, and 10 per cent of the deficits in remaining developing countries, then to reach a rate of growth of 7 per cent in the gross domestic product of developing countries as a group throughout the 1980s would require ODA flows to build up to about \$66 billion in 1990. On certain assumptions about states of economic growth, this would represent about 0.75 per cent of the gross national product of the developed economies. About three quarters of the total ODA would need to go to low-income countries.

56. The high grant element that most aid-giving developed countries with developed market economies and the "soft windows" of the multilateral banks have achieved in their aid to the poorest countries should be sustained; recent moves towards converting past loans to grants in the case of the least developed countries should be continued and, indeed, extended to other poor countries; moves towards local and recurrent cost financing should be pressed forward, as should present efforts to increase the flexibility of flows and reduce the lags between commitments and disbursements. Restructuring of debt arising from past assistance on the accepted principle of a retroactive adjustment of the terms of assistance could provide a quick and effective mechanism for progress towards realizing the aid target.

57. With the emergence of the members of the Organization of the Petroleum-Exporting Countries as a significant source of untied foreign assistance, which is largely used to purchase inputs for development programmes from industrial nations, a new opportunity has arisen for making a major move towards collective untying of aid. If the assistance from developed market economies and OPEC members is viewed together, it is easy to demonstrate that individual industrial nations can avoid negative effects of assistance in their balance of payments without seeking to tie their own assistance. Tying of aid may be confined to additional commitments if necessary as an inducement for moving towards the quantum targets set under the strategy. The effect of aid tying is particularly hard for aid-receiving countries where debt servicing has reached a high proportion of gross new commitments.

58. The negotiation of the new international development strategy is a good time for the world to renew its quest for means to make the flow of development finance

more predictable, continuous and secure, through the introduction of at least some elements of taxation from international resources. There is widespread intellectual unanimity on the general desirability of such taxation. A practical measure of implementation could be an important innovation of the decade. Taxation on the use of non-renewable world resources, taxation on resources mined from under the sea-bed, taxation on the consumption of such items as cigarettes and alcoholic beverages - all have been widely and seriously canvassed in the past. They should now be seriously considered and at least an initial measure of implementation agreed upon. Arrangements for the more nearly automatic replenishment of the soft-loan resources of the multilateral banks should also be explored.

59. An increased proportion of these resources should be transferred through multilateral institutions. The resources of international financial agencies will also need to be increased over the decade, including concessional funds, and attention given to building a continuum spectrum of debt operations, as regards maturities and conditions, without visible gaps between the usual terms of lending of international credit institutions. There is need for an institutional framework for converting short-term money market funds into medium- and longer-term development finance.

3. International liquidity

60. The process of reserve creation for world trade, as it operates at present, is far from being international. It has been primarily geared for many years to the national policies of the reserve-currency countries. The result is that at present there is hardly any freedom or flexibility in the management of foreign exchange reserves. This limitation works particularly to the detriment of developing countries which cannot avoid the need to hold some reserves of their own but which, at the same time, can ill afford the cost of these reserves - let alone to be mere helpless spectators of the continued erosion of their hard-earned savings. Moreover, under the present system, a good part of the exceptional surpluses of oil-rich countries tends to get invested in the industrially advanced countries rather than in other developing countries. This is one of the most evident asymmetries between the developed and developing countries, the latter being nearly a passive spectator of the process of creation of international liquidity.

61. Attention will need to be given to the reform of the international monetary system so that the process of reserve creation for world trade is made truly international and independent of the national policies of a few countries. The quantity and timing of SDR generation should be determined by general liquidity considerations and should pay due regard to the dangers of inflationary pressures emanating from unbridled liquidity creation. But this process would also provide an opportunity to increase the flow of financial resources to the developing countries. The formal "link" proposal has recently been raised again, at a time when, with further SDR creation, it has renewed relevance. The link should now be reconsidered most seriously in this new context. These and other questions regarding balance-of-payments financing from the International Monetary Fund and the conditionality of such assistance should be incorporated into the discussions relating to the new international development strategy.

62. The international monetary system will require a number of structural reforms to improve its over-all performance. Part of these reforms should ensure fuller participation of the developing countries in its organization, management and process of reserve creation and allocation.

63. Many payments imbalances of developing countries are externally induced - for example, contraction of their exports due to protectionism or recession in the industrial countries; rise of imports due to world-wide inflation, and increases in the price of oil or counterparts to structural surpluses of other countries. The tendency of IMF to insist on the correction of these imbalances through deflationary policies often imposes an unfair burden on these countries.

64. In the restructuring of the international monetary system a number of issues will therefore need priority attention:

(a) The implementation of decisions oriented to make SDR the principal reserve asset of the international monetary system so that world liquidity does not originate in the payments deficits of a few countries;

(b) Exploration of new avenues for giving a greater degree of freedom and flexibility in reserve management, particularly to the developing countries;

(c) More flexible conditionality in the use of IMF balance-of-payments resources so that developing countries can count upon maintaining their trade and employment and their development efforts; mechanisms for a fair sharing of the burden of adjustment especially in regard to surplus countries need to be explored again, taking account of the need to diminish inflationary pressures;

(d) Equal treatment of all countries in the surveillance of their exchange rates policies;

(e) Improvement of the compensatory financing facilities.

4. Technology and transnational corporations

65. The growing role of transnational corporations in the economic activity of developing countries has been a matter of concern, particularly because of their enormous economic power and influence, often extending well beyond the power of individual Governments. This has led to demands for an international code of conduct for their operations - as well as to many individual national initiatives to ensure that their activities are conducted within the development objectives and policies of host countries. We believe that efforts should now be made to settle outstanding issues so that the code of conduct can be signed before the end of the present decade.

66. A priority for developing a more positive role for transnationals in development and for establishing greater confidence in their operations is that their operations should become widely known, openly reported and objectively analysed. Information about the nature of transnational activities and the costs and pricing of their complex production inputs should be made more readily available. In few areas is it more pressing to make clear information available about the complex web of their interrelationships, in order to work towards a bona fide partnership of mutual benefit.

67. Particularly important among transnational corporations are the banks from industrialized countries which have established world-wide networks of banking facilities. These have been important and constructive mechanisms for channelling resources to developing countries on commercial terms. Nevertheless, the predominant role of major transnational banks in the operation of this market has

raised new questions regarding possible adverse implications for relations between countries and for the operation of the international monetary and financial system. Here, again, there is need at least for greater, prompter and more reliable information for more transparency about their operation and impact.

5. Disarmament and world development

68. World expenditure on armaments and military activities now exceeds \$400 billion per year. Progress towards general and complete disarmament could thus release substantial additional resources for the purpose of economic and social development. A substantial proportion of the released resources should be utilized for the needs of the socio-economic development of the developing countries.

69. Although the Committee would rather take a realistic stand in not counting in advance on large funds coming from resources released from disarmament or basing the international strategy on this assumption, it would urge that at least some start on the process should be initiated in order to set a positive precedent for the future. Such a precedent could have a tremendous influence on the future development of an international strategy. Should the international situation allow for more optimistic expectations, this would change the whole basis of the international development strategy.

6. Accelerated growth and other development objectives for the 1980s

70. Initiatives in this area of international change can be focused and supported by the adoption of targets for development growth and other changes in the structure of the world economy in the 1980s. Acceleration of growth among developing countries, in particular for the poorest of them, should be an important objective of the strategy for the 1980s. Yet the potential for growth differs among countries. Global growth targets for developing countries as a whole, or even for groups of them, are therefore of limited value. A quantitative and differentiated global perspective reflecting the order of magnitude of feasible changes in growth and structure, however, could provide a useful supplement for indicating priorities in the formulation of policies at the national and international level. Global targets for the developing countries, if desired, could be derived from it, but they should differentiate between groups of countries.

71. Provisional results of such a quantitative perspective suggest that an average annual rate of growth of gross domestic product for the developing countries as a whole above the 6 per cent target for the International Development Strategy for the Second Development Decade is possible, perhaps even up to 7 per cent in the 1980s, provided that at the national and international level the necessary policy measures are implemented. The Secretariat of the United Nations, along with other groups, has been preparing quantitative projections of possible developments in the world economy. This work is useful and should be continued and refined. The Committee intends to give further consideration to the quantitative framework for the strategy at its next session. Meanwhile, some of the results - in particular those for which preliminary estimates are given below in paragraphs 72 and 73 - could be worked through into the form of quantitative targets for the strategy itself. But, for reasons given earlier, we would caution against the elaboration of many other quantitative targets. A quantitative framework should support the qualitative and institutional changes proposed, not replace or distract from them.

72. The Committee considers the doubling of the per capita income of the group of low-income countries (including least developed and many most seriously affected countries) by the year 2000 to be the most important element of such a global quantitative perspective. This objective would imply an average annual rate of growth of gross domestic product of about 6 per cent for this group of countries until the end of the current century. Although ambitious in nature, even this growth rate would not enable the poorest countries to keep up with the other groups of developing countries.

73. Changes in economic structure will constitute an essential characteristic of this accelerated development, although the importance of each sector will depend on the specific conditions and opportunities of individual countries.

(a) Provisional estimates suggest that for agricultural production an average rate of growth of 3 1/2-4 per cent per annum, significantly above the historical rate, for the developing countries as a group would be highly desirable. Its feasibility will depend on the imaginative and energetic pursuit of a wide range of appropriate policies. It is difficult to overstate the importance of effective implementation of these measures, particularly for the low-income countries.

(b) An average growth rate for industrial (including manufacturing) output of some 8 1/2-9 per cent per annum for developing countries as a group seems possible, thus representing an important contribution towards the achievement of the target set out in the Lima Declaration. 2/

(c) An acceleration of the growth process will induce widening gaps in internal and external resource requirements.

(d) These tendencies point to the need for domestic investment in the developing countries as a group to be increased to about 25 per cent of their total gross domestic product and for their rate of domestic saving to be increased to at least 20 per cent.

(e) Continuation of past structural relations between imports and total output and between exports of developing countries and world trade would lead, according to provisional estimates, to an average annual rate of growth of imports of some 8 to 8 1/2 per cent and of exports of goods and services of some 6 to 6 1/2 per cent for the group of developing countries as a whole for the 1980s.

(f) These trends, based on past relations, would imply an external deficit at the end of the decade of the order of 100 to 120 billion dollars in 1974 prices, nearly half of which would be concentrated in the low-income countries.

These provisional figures clearly underline the importance of the recommendations for the new international strategy made earlier in the present report. Similar growth requirements could be worked out for different groups of countries, especially for the low-income countries. Improved income distribution and the achievement of social goals should be an integral element of the new strategy.

2/ Adopted by the Second General Conference of the United Nations Industrial Development Organization (see A/10112, chap. IV).

74. Economic and social goals need to be mutually supporting. More employment, better health, better housing, and higher educational levels and skills should set the priorities for domestic production: attainment of higher levels of production and income and diversification of the economy. In turn, increased incomes will help to create the resources for financing expenditure for social purposes.

75. National governments will need to set specific targets in various fields to be achieved in the next decade in the framework of their development plans. Initiation and direction for these programmes must necessarily lie with each country itself. But concern with the eradication of mass poverty and improvement of basic living conditions does extend, and indeed should increasingly do so, beyond boundaries of nationality and race. To overcome the worst aspects of absolute poverty by the end of the current century is thus an objective that could help mobilize widespread international support for national programmes of development.

76. To this end, it might be helpful to include within the new strategy some long-run human goals relating to life expectancy, infant mortality and possibly literacy and basic education. This would also help to reduce the gaps in human conditions and living standards between countries in a meaningful manner. To halve the gaps between developing and developed countries in respect of these indicators should be explored as a target for the end of the current century. This would provide a broad-based frame for the work of various international agencies. The Committee intends to consider this matter further.

Chapter III

PATTERNS OF DEVELOPMENT AND INTERNATIONAL IMPLICATIONS

77. Throughout the 1970s, at the same time as the average growth statistics for the aggregate of the developing countries have been roughly in line with the targets set out for the decade, the world has been engaged in rethinking the priorities of the development process. The rethinking has had two aspects, the two being interdependent and mutually supportive. Both have gained focus and impetus in the major international conferences and special sessions of the period. Both, although by now widely shared internationally, welled up first in the developing countries themselves.

78. On the one hand, the 1970s have yielded the demand and the agenda for the new international economic order - for a restructuring of the economic relations between countries and between groups of countries.

79. The second aspect, equally indigenous to the developing countries themselves, has been the reassessment of internal development priorities: the accent on equity and participation, on self-reliance and structural reform, the emphasis on mass poverty and employment, the renewed stress on rural as well as industrial development, the attention to distressed regions and disadvantaged groups, the concern for various concrete dimensions of individual and family welfare - in short, on the need for new patterns of development, along the lines noted by this Committee in its reports throughout the current decade.

80. Both of these aspects of the rethinking should be reflected and extended in the international development strategy for the 1980s. The interconnexion between them, of course, is that the first (the shape and the components of the new international economic order) must be responsive to the second (the reassessed internal priorities). At the same time, the implementation of revised internal priorities, while primarily dependent on national choices and efforts, can also benefit from a variety of external reinforcements.

81. Nearly all policy purports in some sense to serve people. But much earlier development has been so biased, roundabout, slow, and unreliable in its delivery of benefits to the common man that there is now a widespread need for new priorities that are distinctively people-centred.

82. This short-hand term has two implications:

(a) On the one hand, a wider distribution of benefits to whole populations: better nutrition, health, education, family welfare, employment participation, improved income security, protection (for this generation and its successors) against environmental degradation.

(b) Also, on the other hand, a better mobilization of people as productive agents: fuller use of their labour, capabilities, motivations and creativity in the augmentation of their collective social product; and closer relation to and development of the cultural heritage of communities and nations.

83. The most promising responses to the needs of the poor typically marry these two aspects. They find better ways of engaging the energies of people in their own betterment. Indeed, people-centred development is often dependent upon greater participation.

84. For most developing countries the needs for the 1980s are both broad-based development and growth. Growth and equity need not be competitive. In addition, while its feasibility in part depends on better market access to and more reliable, and augmented, capital transfers from, the developed countries (both market and centrally planned economies), strong growth in developing countries will also have positive feedbacks on those same developed economies.

85. In the sections that follow, we pursue some of the sectoral, intersectoral, and regional elaborations of these themes. We concentrate on those aspects that have implications for international action.

A. Agriculture

86. Certain sectors are of great importance to the developing countries themselves and to the international community as a whole. One is agriculture - particularly food production - where acceleration of growth from the present levels is of urgent concern. Raising and making more equal the productivities of those engaged in agriculture vis-à-vis other sectors has distributional as well as growth significance for the countries themselves. Moreover, the danger of food shortages towards the end of the current century creates a global interest in enhanced production from increased yields as well as expansion of arable areas where, as in South America and parts of Africa, the arable land-population ratios remain favourable.

87. In all developing regions, there is much yet to be done in regard to irrigation, water management, input supply, extension services, marketing, the rationalization of incentives, credit, the development of national research capacities and further international networking of research. In some, there is urgent need still to provide more equal and reliable access to land and water. A major concentration is also needed on technological research for agriculture and animal husbandry, related especially to the needs of small-scale farmers and taking account of needs in related sectors, such as extension services and marketing. Most of these needs must be met nationally; some can be served well by expanded technical and other co-operation among developing countries; but they also call for expanded technical co-operation and capital flows from developed countries.

88. There is a pressing need to improve the performance of the marketing structures, especially those for food and other agricultural commodities and services that satisfy the essential needs of low-income consumers. Much of the income generated in agriculture fails to reach the producers, and instead is siphoned off by tradesmen, middlemen, speculators, money lenders and a whole range of other intermediaries, who benefit from market imperfections. These intermediaries receive incomes larger than their true contributions to value added. In addition, their activities check the transmission of correct price signals to producers and consumers alike, thereby distorting resource allocation

and income distribution. Marketing services at the producer's level, storing, transporting, cleaning and classifying, packaging, refrigerating and handling facilities should be developed to improve the efficacy of commercialization services, and to streamline costs, avoid unnecessary waste and eliminate redundant operations. Wholesale markets and retailing co-operatives should be an integral part of a concerted effort of this nature.

89. The international need is to provide a frame for security in food production and supply which would both stimulate national measures, particularly more rapid expansion of food production in low-income countries, and establish a more stable structure of stocks, prices and international support to diminish ecological and economic vulnerability in this basic sector. To this end, the following institutional measures should be some of the basic objectives of the new strategy and of interest to both developing and developed countries:

(a) The establishment of a system of national and international grain reserves, including arrangements for assisting developing countries in building facilities for storage and acquiring stocks.

(b) The establishment of buffer-stock or equivalent arrangements for moderating excessive price fluctuations, especially for wheat and rice.

(c) Arrangements for longer-run commitments of food aid, compensatory finance and other assistance, related to programmes for improving domestic food security.

B. Energy and raw materials

90. There are similar international concerns with respect to energy production and raw materials output. The world faces an uncertainly timed but inevitable transition away from its present degree of reliance on oil and natural gas. All countries, developing and developed, therefore share an interest in the efficient expansion of all environmentally benign forms of energy, both non-renewable and renewable. Developing countries should therefore receive the support of the international community in their efforts to undertake research on non-traditional sources of energy. Priority also needs to be given to financing their development of hydroelectric resources. They should be encouraged to create or strengthen the institutions needed to prepare and execute long-term plans for energy research and development, as well as to undertake co-operative programmes in their areas that are especially amenable to joint and co-ordinated action at the regional or subregional level.

91. Raw materials still account for a predominant part of production and of exports in a majority of developing countries, and a good deal of the effort that these countries can mobilize for their development would depend on the efficiency with which raw materials are exploited, the terms on which the technology and expertise for exploitation are acquired, the linkages that are established between raw material production and industrial development and the freedom with which processed raw materials can be sold in the markets of the developed countries.

92. The Integrated Programme for Commodities of UNCTAD should be seen as a major institutional framework within which developing countries can be assisted to make better use of their primary commodities. The Common Fund, the fundamental elements

of which have already been agreed upon, should be envisaged as an instrument for establishing a new stability in commodity markets, and a new initiative within which developing countries can participate effectively in the marketing and processing of primary commodities. In addition to this stabilization scheme a wider use of compensatory financing mechanisms - as they were created by the Lomé Convention 3/ and the IMF facilities - seems to be necessary.

C. Industry

93. Nevertheless, while the sectors just noted are indeed important and deserve priority attention, it is not surprising that in most developing countries there is emphasis on the need to industrialize. It is just as true for them as it has been for virtually all of the already developed economies that industrialization is an inherent and central aspect of development. This does not commit them necessarily to the same life-styles, patterns of consumption, or geographical configurations of industry and urbanism as those of the already industrialized countries, let alone to the same capital-labour mixes as the industrialized countries at present have. Industrialize they must, however, and in part this means they must seek external markets - especially the smaller countries whose internal markets in many cases cannot accommodate efficient production but all of which could in fact do so in some measure if they could have access to export markets and would strengthen co-operation among themselves.

94. In a larger and long-run sense, all of this, of course, is to the advantage of the world as a whole - shifts in the structure of global production towards more efficient and increased manufacturing in developing countries and towards more processing of their raw materials and other labour-intensive manufacturing permit the advanced economies to change over to higher-productivity activities. But the fact is that there are difficult structural adjustment problems in the developed market economies, which are at present caught in a sluggish combination of unacceptable unemployment and unacceptable inflation. Although a mass of evidence suggests that these adjustment problems are only in insignificant ways related to imports from developing countries, these imports have nevertheless often been the focus of protectionist tendencies. Thus, the developing countries that have succeeded in establishing internationally competitive industries, and have opened markets abroad, now face the problem of market access. Although exports of manufactures are highly concentrated in a small number of countries or areas (Hong Kong, the Republic of Korea, India, Singapore, Malaysia, Brazil, Mexico and Argentina) and in a few groups of commodities, and although the share of these exports in the total imports of developed countries is still quite small, the pressure for new protective measures in the developed countries is nevertheless very strong. Trade negotiations in the past have often resulted in little benefit for developing countries, as their preoccupation remained principally the trade between the developed countries. Meanwhile, progress on other non-trade measures, such as adjustment measures, which could have ultimately resulted in more liberal trade régimes was thwarted because of ongoing trade negotiations.

95. Structural adjustment within the two groups of advanced economies and better access to their markets should thus be a fundamental goal of the third

3/ See A/AC.176/7.

development decade. It implies steadily declining, not static and certainly not renewed protectionism in those countries. The greatest single challenge that the new international development strategy poses to those countries - and the most difficult - is for a positive response to this need. A rapid growth in trade will also depend on expanding trade among developing countries. This and other forms of co-operation among the developing countries, addressed, for example, in our 1978 report, 4/ warrant urgent and sustained attention.

96. There is also need for case-by-case negotiation of reforms that will reduce skewings of the international market against the developing countries in such matters as cascaded tariffs and shipping-conference rates. There is need to reduce imperfections in the market more generally by improving the availability of information, for example, to purchasers of technology. Above all, in the case of the advanced market economies, there is need for genuinely effective, time-bound undertakings for step-by-step reductions in the barriers - most particularly now the non-tariff, quantitative restrictions - that block competitive imports from the developing countries. In the case of the centrally planned economies, there is need for different but parallel and equally serious measures to augment imports from the developing countries.

97. Such adjustment will probably depend on two things: first, the return to lower levels of unemployment in developed market economies, which in turn is likely to require changes in labour market arrangements as well as some increase in economic growth in these countries; secondly, new rules for international trade and possibly new negotiating and monitoring institutions - ones that permit, when absolutely unavoidable, the moderation of market adjustments in an orderly and gradual way, but in a manner which furthers, not frustrates, the pursuit of comparative advantage. An open, flexible international market can be the most efficient instrument during the balance of the current century for moving developing-country industrialization in the direction of the Lima target, for rationalizing agricultural trade, and for serving the long-run interests of the developed countries. We say this not through doctrinaire belief in the free market but because we fear that asymmetry in this case means that restrictions on free trade are apt to work more against the interests of developing countries than against developed. Anything else is likely to bring frustration, provoke countervailing forces and - it may not be too dramatic to suggest - risk a breakdown of the international economy similar to that of the 1930s.

D. Development and environment

98. In the 1980s and beyond, environmental problems will be important to many developing countries in their efforts to expand their economies, to use rationally their natural resources and to improve the quality of life of their people. The problems include desertification, soil loss and degradation, deforestation, flooding and siltation, waterlogging and salinity, environment-related diseases, degrading urban environment, over-exploitation of living natural resources, exhaustion of certain high-grade mineral resources, and pollution caused by mining and industrial activities. Such problems will need to be resolved through careful planning and anticipatory action. Neglect of the environmental dimension may lead to less than optimal utilization of development opportunities and may undermine the possibilities for sustainable development.

4/ See Official Records of the Economic and Social Council, 1978, Supplement No. 6 and corrigendum, chap. II.

99. It is highly desirable to promote research on long-term physical plans - outlining broad geographical development patterns - within continental and/or subcontinental frames. Such plans could help in making the developmental and environmental ventures, particularly of a transnational character, more far-sighted and rational.

E. Technology

100. The expansion of technological capacity in the developing countries will require substantial resources and commitment during the 1980s. The serious efforts that are being made in agriculture and industry, and in the expansion of social services, will encounter serious problems of costs, maintenance of facilities, and even availability of vital equipment, unless there is a major increase in the capacity of developing countries to provide for their own technological needs and to adapt to their own purposes technologies developed in the advanced countries. Already some positive steps have been taken to establish national, regional and subregional centres of technology for development purposes. However, there is need for a comprehensive strategy that would involve the institutionalization of co-operation between centres in developed countries and those in developing countries. Such institutionalized co-operation could be focused on a number of key developmental problems, such as the development of appropriate technology and the eradication of some of the serious diseases that inhibit agricultural production.

101. The creation of technological capacity means much more than the ability to produce engineering designs and appropriate blueprints. More fundamental is the establishment of a whole national infrastructure of institutions and expertise, with experience and widespread contacts, adding up to effective mastery and control over the whole process of producing or purchasing, adapting or applying, national and international technologies in ways which match local needs, conditions and priorities. In recent years, some developing countries have moved far towards such mastery. The extension of such capacities to other developing countries, both through international assistance and through technical co-operation among developing countries, should be a major thrust of the 1980s.

102. To this end, it is recommended that national institutes for technological research should be set up, appropriate extension facilities developed, and links between national research networks instituted. Regional centres can facilitate the spread of information, methods and techniques, in support of the national institutes. The regional centres can also be instruments in the transfer of technology, assist in the exchange of information, support joint basic and applied technological research, co-operate in training programmes, assist in the identification of technological needs, advise in the drafting of model contracts for the granting of licenses, and contribute to the assessment of costs of technology transfers.

F. Social aims and distribution

103. Policies in such fields as education and skill-raising, health care, housing and urban development, population, and participation of women and youth in development have direct impact not only on the satisfaction of human needs, but also on the quality of the human factor and on its dynamism. These policies, therefore, influence the rate of economic progress in the long run.

104. At the national level in these various social fields, it is reasonable to look for such policy patterns as conform to the rate of over-all progress and contribute to its achievement. At the same time, social expenditures should be viewed not only as a kind of "unproductive expense" but as a sound investment in the human capital, indispensable and highly productive in economic terms. This is also the only way by which social advance can be kept sustainable over the longer run. That is why fast economic growth of developing nations should not be viewed as competing with the satisfaction of social objectives but should be understood as a way towards their satisfaction. We consider it very important that, in analyses and programmes for the various social fields developed in international forums, conformity between social objectives and over-all development progress should be reasonably observed.

105. It is in the programming of policy in the various social fields that particular attention should be given to the particular development patterns of the developing countries. Countries and regions have full justification in choosing objectives and measures to implement them that suit their economic possibilities and their societal and cultural traditions. Experience demonstrates that uncritical importation of foreign patterns in such fields as housing, education and health care has led to expensive activities which have not contributed adequately to the achievement of the desired social purposes. Indigenous development patterns should imply, first, solutions that are well adapted to available local resources and secondly, solutions that suit societal and cultural traditions existing in a given society. They can be, in short, socially efficient and appropriate. While nations and regions therefore should be expected and encouraged to design their own patterns in the various social fields, international agencies should promote those endeavours and provide useful assistance.

1. Health

106. The new international development strategy should include among its major social objectives the attainment of an acceptable level of health for all by the year 2000. The major step towards this is the establishment in all countries of an adequate and comprehensive system of primary health care as part of a more general health system and as part of a general improvement in nutrition and living standards and basic infrastructure for supplying such needs as safe water and basic sanitation. The attainment in all countries of a minimum life expectancy of 60 years at birth and a maximum infant mortality rate of 50 per thousand live births would indicate a considerable improvement in the health of the population. International efforts should be intensified to provide a basic programme of immunization and to combat endemic tropical diseases - such as river blindness - that affect large sections of the population.

107. The extension of acceptable health and educational services and standards to all human beings as well as the final objective of a balanced human future on this planet would seem to indicate the need for conscious and deliberate population policies in all countries. This is clearly a matter for individual countries to decide upon but the new international strategy should indicate the need for awareness of the problem and encourage countries to take appropriate action.

2. Education

108. Education is not only a basic human right but also a major factor of economic development. At present rates, many developing countries would not have universal primary enrolment by the year 2000. Thus, in the framework of national development plans, educational systems need to be expanded substantially. At the same time

Measures need to be taken to promote non-formal education of adults - for example, through mass literacy campaigns and on-the-job training through more efficient functioning of educational and training systems.

109. Training for enhancing employment possibilities, as well as higher education for endogenous scientific and technological development, should be extended to both sexes and to minority groups in order to promote the just and equitable distribution of culture, skills and abilities within the society, thereby contributing also to a more equitable income distribution. The international community, through its appropriate agencies, and the developed countries commanding large educational and research facilities have a serious responsibility both in supporting the educational efforts made by the developing countries and in providing high-level training in consonance with their needs.

G. The low-income countries 5/

110. For two decades of development, the poorest countries - those with, say, per capita incomes below \$300 in 1975 dollars - have fallen behind relatively. In the third development decade, as we have emphasized in chapter II above, the international community must give them particular and more effective attention. This does not imply any separation of these countries from other helpful aspects of the new international development strategy. For example, these countries will, of course, be participants in the primary-commodity programme, and should have the same improving access for their processed and manufactured products to advanced economy markets as would others - a factor that already is critical for a number of the low-income countries and will become so for most. At the same time, the heavy and stubborn burden of poverty in these countries requires special measures. For example, because these are mainly countries in which the agricultural sector is large, where in many cases agricultural techniques and methods are still primitive, and where prospects of absorption of a sizable number of people in large-scale industry are meagre, it is especially on the low-income countries' agriculture and on their small-scale or cottage sector of industries that measures, both national and international, should continue to be concentrated without disregard, where conditions are appropriate, of significant industrialization on more modern lines.

111. There is a second, interrelated objective for special effort. Many of these countries, which are concentrated geographically in Africa south of the Sahara and in southern Asia, are suffering severe environmental degradation, aggravated by the growing pressure or population on land resources; this places a drag on agricultural productivity, and threatens the planet generally with irreversible and tragic environmental losses. While these problems of environmental deterioration, with consequences of global import, are by no means confined to or even concentrated in the poorest developing countries, these countries themselves do not have adequate margins of resources to cope fully with such problems. They are, therefore, particularly appropriate for special international attention.

112. A major obstacle to development in these regions has been the poor, inadequate quality of basic infrastructure, especially transport facilities and water control. To supply these regions with the physical infrastructure needed for

5/ See also the report of the Committee on its twelfth session (Official Records of the Economic and Social Council, sixty-first session, Supplement No. 6) paras. 67-92.

agricultural and rural and also for industrial development requires huge investments which will pay back in terms of large increases in agricultural and industrial production only several decades later. Growth demands a deliberate policy of lengthening the time horizons for such infrastructural investment; the same policy, moreover, can provide a major - and, for the medium term, an enduring - answer to much of the underemployment problem in these countries.

113. What is needed for these regions are major projects for reclaiming desert lands, erection and repair of major water control schemes including hydroelectric installations as well as irrigation and drainage facilities, the building of co-ordinated systems of transport and communications, and the development of decentralized urban centres for facilitating agro-industrial linkages.

114. Some of the investments in basic infrastructure can be undertaken on a national basis provided that financial assistance can be obtained either as grants or as loans with very long grace periods, say 40-50 years. But others depend upon co-operation on either a regional or subregional level. This is, for instance, the case in a large region of the Himalayan watershed and the adjoining regions of the Ganges-Brahmaputra basin which houses a very large proportion of the poorest population of the world. A radical improvement for the large population living in these areas requires a regional effort including all the countries in this subregion and large amounts of international financial assistance.

115. The same is the case with the suggested schemes for extension and improvement of the African transport network which is a necessary condition for the spread of agricultural and industrial development in the interior of Africa. However, experience has shown that investments in economic infrastructure may fail to produce the expected results unless they are co-ordinated with large-scale investments aiming at eradication of human and animal diseases. Some of the hydroelectric and irrigation schemes in Africa have contributed to the spread of water-borne diseases, and efforts to eradicate diseases in Africa and elsewhere have failed because insufficient finance prevented complete eradication before the carriers of diseases had developed resistance - or because the diseases were transmitted from neighbouring countries which had not been part of the scheme. Co-ordinated and more long-term projects are therefore necessary to avoid similar failures in the future. While major hydroelectric schemes - and, where possible, further oil, natural gas, and coal development - can help to alleviate the energy shortage from which these poor and slowly developing regions increasingly suffer, there are needs for research and development of alternative, renewable energy sources, including village wood lots, bio-gas, and large-scale but widely dispersed solar energy, a field which requires internationally co-ordinated and financed research in the coming development decade.

116. Although demographic projections indicate that family size is beginning to decline in some of the poor regions of the world, population growth will continue to be rapid for several decades, because of the youthful structure of the population in these areas. The resulting rapid increase in the adult population will provide the addition to the labour force which will make large-scale infrastructure investments possible with appropriate technology if only internal resources can be mobilized and strongly supplemented from outside.

Chapter IV

TOWARDS BETTER IMPLEMENTATION

A. Links between international, regional, subregional and national strategies

117. An international development strategy needs to serve both as a reflection of national development aspirations and as a framework for international action in the cause of development. In the final analysis, it is up to each country to translate its aspirations into reality and to fulfil its commitments. The adoption of an international development strategy for the third United Nations development decade by the General Assembly in 1980 should not be an isolated act. Rather, it should be followed by a continuing evolution of regional and subregional strategies to elaborate more specific goals and measures of policy in relation to regional needs and circumstances. The dialogues conducted by Governments for this purpose in regional and subregional forums should pave the way for enhanced economic and technical co-operation among members of the relevant regional or subregional bodies. The intergovernmental forums of regional commissions of the United Nations are already available for this purpose. They should serve as major instruments for designing and implementing regional and subregional programmes of action, thereby enhancing the operational content of the third development decade.

B. Major projects as a key component of the new international strategy

118. The effective adoption of some global or regional projects can also give the third development decade much of the more operational, more concrete character it urgently needs. In the negotiation of the new strategy the means for identifying the types of major projects for this purpose should be carefully considered. Care should be taken not to dilute the initiative, through the proliferation of lists of desirable undertakings into mere repetition of the existing project agendas of all proponents and contributors. It is almost certain that there cannot and should not be a monolithic structure and régime for the selection and implementation of special projects for the third development decade. More important, this endeavour should not encourage the already excessive reliance on the project approach in aid financing to the detriment of desirable and sometimes more efficient approaches, such as programme financing and financing of development goods in general. But it should be part of the preparatory work for the new strategy to agree on procedures for the identification and selection of a few major and strategic projects that will highlight and further the goals of the third development decade. The regional commissions and the regional development banks should take a lead in all work relating to regional or subregional projects.

119. If the emphasis on projects is to bring greater focus to the strategy, a limited number of major projects should be chosen, not a large number of small ones. We think of 10 or a dozen at most, particularly in large-scale

infrastructure or institution building, preferably involving benefits for a considerable number of countries and of the sort which enlightened contributors would feel a mutual interest in supporting.

120. The types of major programmes or projects we have in mind can be illustrated from the following examples:

- (a) Development of continental and subcontinental transport plan networks;
- (b) Major support for agricultural technological development in priority areas for each region, especially with respect to low-input technologies for complementary activities, such as agro-industries, food processing and storage;
- (c) Major industrial complexes, where conditions are appropriate, which would increase production of major developmental goods, such as fertilizers and steel;
- (d) Major schemes of irrigation, river-basin development and flood control;
- (e) Transnational projects to combat desertification;
- (f) National as well as transnational projects that facilitate the fullest realization of the developmental potential of major resources, such as river waters, resources of the sea and mineral resources, including those offshore;
- (g) A major attack on certain environmentally related endemic diseases, such as schistosomiasis, malaria and trypanosomiasis, which would help to improve human conditions in the areas affected and also increase the research and technological capabilities of the countries concerned, and help to realize important development potential.

C. Monitoring international structural change

121. We have noted already the need for strengthened institutional arrangements to monitor progress towards needed changes in the international division of labour. This can best be done by giving more weight to sectoral and regional reviews and appraisals.

122. The 1970s have witnessed a number of world conferences that have highlighted needs for continuing global monitoring of changes and adjustments in critical functional and institutional sectors. In some cases, as in that of the World Food Council, these conferences have led to the establishment of monitoring institutions; in most they have not. Institutions therefore need to be identified to undertake the monitoring function in certain strategic sectors, such as industrial adjustment, energy, water resources, and environment.

123. Similarly, although we have, in the regional commissions, structures for regional monitoring, they have not been endowed with enough capacity and have not been given enough responsibility to do the kind of creative monitoring of performance, problems, and needs for new policies that the third development decade will require. The commissions should now be assigned specific tasks in the formulation of the regional dimensions of the strategy and in working out procedures for their full involvement in the work of review and appraisal.

124. The monitoring régime we envisage for the third development decade would not eliminate aggregative ex post facto global monitoring - which should however give less weight to statistical averaging on the one hand and to generalized rhetoric on the other. First, however, it would shift the weight of the effort to more focused reviews, on the one hand at the functional-sectoral level and, on the other hand, at the regional level. We recognize the likelihood of some sectoral-regional tension in this formulation, but think this is unavoidable. Both types of focus are needed. But the respective organizations should take particular pains to co-ordinate sectoral-regional reviews as far as possible. Secondly, capacities and resources for ongoing review in key sectors and in the region would be more effectively institutionalized. Thirdly, given a review process centred in the sectors and regions, we hope that the character of the process can also be constructively changed.

D. The nature of the review and evaluation of
the third development decade

125. For the United Nations system as a whole, the review and appraisal procedure devised for the Second Development Decade has been vastly time-consuming and not very productive. With sectoral and regional emphasis and with proper institutionalization of capacities at those levels, a more dynamic, evolving, and constructive evaluation function should be possible. This would not mean re-legislating the international development strategy every other year, nor would it obviate the need for assessment at the global level. However, the emphasis at the global level would need to shift to assessment and negotiation by Governments for concrete policy action.

126. These changes would parallel the shifting character of planning in most countries themselves - away from rather rigid, highly intermittent establishments of quantitative tableaux towards ongoing flexible policy analysis, albeit within a longer-run, internally consistent macro-frame. Similarly, in the case of the new international development strategy, evaluation would be less a matter of grading past performance than of considering how newly emerged trends and problems can best be coped with within the broad long-run goals of the established strategy.

Chapter V

ARRANGEMENTS FOR FUTURE WORK

127. At its sixteenth session, to be held in 1980, the Committee intends to give further consideration to elements of the international development strategy for the third United Nations development decade, particularly to quantitative matters, policy measures and aspects of implementation. In order that its contribution may be of assistance to the Preparatory Committee for the New International Development Strategy at its sessions to be held in 1980, the Committee recommends that its sixteenth session should be convened in January 1980.

128. Within the resources available to it, the Committee will convene working groups prior to the sixteenth session in order to facilitate the tasks to be undertaken by it at that session. In the light of the discussions in the Economic and Social Council and the Preparatory Committee at their sessions in 1979, as well as the work carried out for and the results of major world conferences to be held in the coming months, the Chairman of the Committee, in consultation with the officers, will designate the members of the working groups and specify the topics to be discussed by them.

Annex

LIST OF DOCUMENTS

Document number

Title

A. Documents of the Committee

E/AC.54/18	Provisional agenda for the fifteenth session
E/AC.54/19 and Add.1-5	Elements in an international development strategy for the 1980s: report prepared by the Secretariat
E/AC.54/20	Employment and growth: paper prepared by the secretariat of the International Labour Organisation
E/AC.54/21	Development and environmental considerations in preparing an international development strategy for the third United Nations development decade: paper prepared by the secretariat of the United Nations Environment Programme
E/AC.54/22 and Corr.1 and E/AC.54/22/Add.1	Review of progress made in the implementation of the International Development Strategy for the Second United Nations Development Decade and in relation to the General Assembly resolutions 3202 (S-VI), 3281 (XXIX) and 3362 (S-VII): report prepared by the Secretariat
E/AC.54/L.99	Societal framework for economic development: paper prepared by Moinuddin Baqai, member of the Committee
E/AC.54/L.100 and Add.1	Prospective growth rates and international resource transfer implications: technical report prepared by the Secretariat

B. Other texts

(a) General Assembly resolutions

33/48	World social development
33/193	Preparations for an international development strategy for the third United Nations development decade
33/200	Effective mobilization and integration of women in development

<u>Document number</u>	<u>Title</u>
(b) <u>Economic and Social Council resolution</u>	
1978/35	Reinforcing the social development sector within the United Nations
(c) <u>General Assembly documents</u>	
A/33/238 and Corr.1	Effective mobilization of women in development: report of the Secretary-General
A/34/44 (part I) a/	Report of the Preparatory Committee for the New International Development Strategy
A/AC.191/32	Agreed conclusions on some aspects of the transfer of resources in real terms to developing countries: note by the Secretariat
(d) <u>Economic and Social Council documents</u>	
E/CN.5/557	<u>1978 Report on the World Social Situation</u> (United Nations publication, Sales No. E.79.IV.1)
E/CN.9/337	Concise report on monitoring of population trends: report of the Secretary-General
E/C.10/38 and Corr.1	<u>Transnational Corporations in World Development: A Re-Examination</u> (United Nations publication, Sales No. E.78.II.A.5)
(e) <u>Other publications</u>	
ST/ESA/81	<u>Journal of Development Planning, No. 13</u> (United Nations publication, Sales No. E.78.II.A.9)
-	<u>World Development Report, 1978</u> (Washington, D.C., The World Bank, 1978)
-	<u>Critical Issues on Food Marketing Systems in Developing Countries</u> (Paris, Development Centre of the Organisation for Economic Co-operation and Development in co-operation with the Food and Agriculture Organization of the United Nations, 1977)
-	Eleanor B. Steinberg and Joseph A. Yager (with Gerard M. Brannon), <u>New Means of Financing International Needs</u> (Washington, D. C., The Brookings Institution, 1978)

a/ Subsequently issued as part one of Official Records of the General Assembly, Thirty-fourth Session, Supplement No. 44.

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