

COMMITTEE FOR DEVELOPMENT PLANNING

REPORT ON THE SIXTEENTH SESSION

(7-16 January 1980)

ECONOMIC AND SOCIAL COUNCIL
OFFICIAL RECORDS, 1980

SUPPLEMENT No. 2



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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.

E/1980/3

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INTRODUCTION

1. The Committee for Development Planning held its sixteenth session at United Nations Headquarters in New York from 7 to 16 January 1980. Seventeen members of the Committee attended the session: Maria AUGUSTINOVICS, BONGOY Mpekesa, H. C. BOS, Ester BOSERUP, William G. DEMAS, Jose ENCARNACION, Jr., Gerhard FELS, R. K. A. GARDINER, Richard JOLLY, V. N. KIRICHENKO, John P. LEWIS, Gabriel MIGNOT, LI Zong, H. M. A. ONITIRI, Jozef PAJESTKA, I. G. PATEL, and Germánico SALGADO. Six members were unable to attend: Chedly AYARI, Ungku Abdul AZIZ, Saeb JAROUDI, Isaac KERSTENETZKY, Saburo OKITA and Leopoldo SOLIS.

2. On joining the staff of the United Nations Secretariat, effective 1 January 1980, Justinian F. RWEYEMAMU relinquished his membership of the Committee. The Committee greatly appreciated the contribution made by Mr. Rweyemamu to its work during the period he served as a member.

3. The officers of the Committee for the term ending on 31 December 1980, who were elected at the fourteenth and fifteenth sessions, are:

Chairman	Germánico Salgado
Vice Chairman	Maria Augustinovics
Rapporteur	Richard Jolly

4. The Director-General for Development and International Economic Co-operation made an introductory statement 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 a representative of the Secretariat's Department of Technical Co-operation for Development and by the representatives of the secretariats of the Economic Commission for Europe, the Economic Commission for Latin America, the Economic Commission for Africa, the Economic Commission for Western Asia, the World Food Council, 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 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 Monetary Fund, the Council for Mutual Economic Assistance, the European Economic Community, 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. Further consideration of elements of an international development strategy for the third United Nations development decade

3. Consideration of General Assembly resolution 34/57
4. Arrangements for future work
5. Adoption of the report of the Committee to the Economic and Social Council.

7. To facilitate the work of the Committee at the current session, its Working Group on the New International Development Strategy met at United Nations Headquarters from 26 to 30 November 1979. The Working Group consisted of: H. C. Bos; Jose Encarnacion, Jr.; Gabriel Mignot; and Jozef Pajestka, who acted as Chairman.

8. The comments and recommendations of the Committee relating to the international development strategy for the third United Nations development decade (agenda item 2) are set forth in chapters I to IV of the present report. Other matters (agenda items 3 and 4) are dealt with in chapter V. It may be recalled that, in the report on its fifteenth session, 1/ the Committee had already put forward some views on possible elements of a new international development strategy. Drawing in part on those ideas, the Committee has sought to draw attention in the present report to, what it believes are, the crucial policy issues for the 1980s. It is hoped that the report will be of help to the intergovernmental bodies engaged in the task of formulating the international development strategy for the 1980s.

1/ Official Records of the Economic and Social Council, 1979, Supplement No. 7.

I. INTERNATIONAL DEVELOPMENT STRATEGY FOR THE 1980s:
GENERAL PREMISES AND BASIC OBJECTIVES

A. General premises

9. An international development strategy should consist of a set of goals and action to attain them, agreed upon by the international community. We would suggest the following:

(a) Over-all goals, quantitative and qualitative, referring to:

- Rates of economic development in developing countries
- The satisfaction of human needs, individual and community
- Structural changes within the world economy
- International institutional change

(b) Ways and means of achieving these goals, especially relating to international action in the areas of:

- Monetary, financial and economic policy
- Regional and subregional policy
- Institutional change and development

(c) Suggestions and recommendations for national plans and development policies, which will be the essential part of effective implementation of an international development strategy.

Among the goals and objectives may be some selected targets which can be used for monitoring progress achieved.

10. The international development strategy for the 1980s is inseparable from the efforts made within the United Nations system for the establishment of the new international economic order. The functioning of the international economic system is at present characterized by major asymmetries and distortions that are detrimental to the interests of the developing countries. The system also involves inefficiencies and a considerable degree of underutilized capacity. The strategy for the third development should, as this Committee recommended in 1979, 2/ recognize the potential benefits (as well as costs) to both developing and developed countries in tackling these problems - and it should be planned to do so as part of the strategy.

11. A strategy on the above-mentioned lines must be selective. It is not and does not aim to be a comprehensive world development plan. It is rather international agreement on a practical set of goals for providing a more favourable world economic environment for development in the 1980s. Its implementation should provide benefits to all parts of the world community. In preparing this strategy, we therefore stress the need for combining realism and

2/ Ibid., chap. II, sect. A.

imagination: realism to concentrate on realizable goals which can be related to identifiable action and policies to implement them; imagination from all the parties involved to raise their sights above present concerns to think constructively towards the 1990s and the end of the century. The twentieth century has already demonstrated unprecedented economic, technological and military capacity; yet economic inequalities in the levels of development among countries are still wide and growing, and a quarter of mankind still lives in poverty and hunger. The strategy above all should embody international agreement to change decisively before the end of the century, the trends underlying this situation.

B. The point of departure: the development performance of the 1970s and current prospects

12. The decade of the 1970s has been a period of severe international economic disturbances and instability, of structural changes in development patterns in some respects but continued stagnation in others. It has also been a period in which new development concepts and aspirations have been formulated, though often their implementation has been frustrated.

13. The development performance in the 1970s, as far as the average rate of growth of gross domestic product of the developing countries as a group and the average for total net financial transfers to them are concerned, has remained not far below the targets set for the Second United Nations Development Decade. This is not true, however, for other indicators, in particular not for agricultural growth of developing countries, their foreign trade and transfers of concessional assistance to them (see annex I, table 1). Moreover, the disparity in growth performance among developing countries has been considerable. Economies of countries with oil endowments and of those with rapidly growing exports of manufactures have mostly grown rapidly in sharp contrast to others. The economies of the majority of the low-income developing countries, ^{3/} including the least developed, as well as of some better-off developing countries, have been constrained by international and national difficulties. The near-stagnation in the per capita income of the low-income countries, which account for some 60 per cent of the population of the developing countries, ^{4/} has been a disturbing and sometimes disastrous feature of the development pattern of the 1970s. Furthermore, the average growth rates for the Decade hide enormous fluctuations, especially among the low-income countries (see annex I, charts 1 and 2). The Second Development Decade ends with much of the world economy in a phase of slowdown. In many countries, developed and developing, inflation and unemployment are at their highest levels since the 1930s, and prospects for the next few years are commonly perceived to be bleak.

14. Several causes have contributed to these results, including deep world-wide recession, a complex of national and international inflationary pressures, energy problems, the breakdown of the Bretton Woods monetary arrangements and of much of the post-war international economic system, rising protectionism and inadequate

^{3/} By low-income countries, we mean developing countries with per capita incomes of less than \$300 in 1975 at market prices of that year.

^{4/} Excluding centrally planned economies, because of lack of comparable data.

domestic policies in developed and developing countries. Even these countries with a good statistical record of economic growth have not been immune from rapid inflation and stop-start growth. Other difficulties of the international economy have also affected them. Arms expenditures in many countries have absorbed huge and increasing quantities of their foreign exchange. Moreover, in many countries, income distribution has worsened so that rapid growth rates have often meant little in terms of increased living standards for the majority.

15. This is the background against which discussion of concerted measures for a third development decade in principle might hold much promise, but in practice has largely been in stalemate. The harsh challenge to the Governments of the world is that unless a way is found around this impasse - to reach effective international agreement on remedial action and policy - the 1980s will almost certainly prove more turbulent and difficult than the 1970s.

16. Increasing economic difficulties over the longer term and the vulnerabilities of the international system seem likely to affect the majority of countries - developed and developing, both market and centrally planned economies - unless effective international agreement is reached to deal with:

- Continuing food insecurity - even serious food shortages
- Continuing energy uncertainty and crisis
- Rising protectionism
- Monetary instabilities and accumulated debt
- Rising armament expenditures
- Further increases in the millions of the world's people who are already seriously malnourished.

It would be untrue to suggest that all these problems could be entirely and certainly prevented by international action. But national action in all countries could be greatly assisted by international action, and in many areas is dependent on it. The low-income countries, in particular, will need increased assistance, and new forms of assistance from the international community - if their position is to be substantially improved.

C. Challenges for the new international development strategy

17. Given this situation, it would be absurd to construct the international development strategy for the 1980s on a mere extrapolation of past trends, or even on a simple acceleration of rates of economic growth within a continuation of existing national and international institutions and policies. On the contrary, the new strategy should formulate agreed policy measures for structural and institutional change, for a modification of the pattern of economic growth as well as for an increase in its rate. It should be built on a clear rejection by North and South of the prospect of a further decade of international stalemate and economic stagflation and the recognition of the potential gains to a wide variety of countries if a greater degree of openness and dynamism could replace stagflation and growing protectionism in the world economy. To this end, we see a need for goals and targets in four major areas of action and policy.

1. Acceleration of economic growth in developing countries, especially in the low-income countries

18. A major step towards more rapid economic progress and a long-run increase in the well-being of the population of the developing world could be made if the developing countries as a whole would achieve some further increase in their average annual rate of growth of gross domestic product, from about 5.5 per cent over the 1970s to about 7 per cent over the 1980s. Particularly important is the need for a marked increase in the annual growth rate of the low-income countries as a group, from just over 3 per cent over the 1970s to an average annual rate of some 6 per cent during the 1980s. The latter would accord with our earlier proposal that the per capita income of these countries should be doubled by the end of the century. The realization of such growth rates would imply a significant increase over past trends, and the international community should not underestimate the difficulties of achieving them. Particularly for the low-income countries, this would involve accelerating the annual rate of increase in per capita gross domestic product from under 1 per cent to about 3.5 per cent. Such growth rates would offer the possibility of substantial improvements in the living conditions of the people in the developing countries, in national economic and social structures and in international economic relations. These are certainly desirable targets. Whether they are feasible will depend on the ability and willingness of developed and developing countries to accelerate development in a number of related sectors.

19. Such an increase in economic growth would require significant changes in domestic policy of developing countries as well as in the international economic situation. All sectors of productive activity in developing countries would have to contribute to such an acceleration of growth rates, as calculations by the United Nations Secretariat make clear (see annex I, table 3).

(a) Agricultural output would need to expand annually by some 4 per cent during the 1980s, in the low-income countries as well as in the other developing countries. An increase in agricultural output of this magnitude in the low-income countries is pivotal to the achievement of their accelerated growth. The Food and Agriculture Organization of the United Nations has estimated that a 4 per cent annual growth of agricultural output is feasible if the required increases in the supply of current inputs and capital investment are made and if increases in rural infrastructure and needed changes in land tenure and rural institutions also take place.

(b) A further acceleration of the growth of manufacturing output to an average of about 9 per cent per annum for the 1980s would be needed. Given the dynamism of the manufacturing industry in a number of developing countries, this also seems possible in the aggregate, though special efforts in many countries will be needed if industrialization is to be widespread. This would also represent a major contribution towards achieving the Lima Target 5/ for the share of developing countries in world manufacturing production to reach 25 per cent by the year 2000.

(c) Ratios of investment and saving to gross domestic product would have to be increased substantially to support the acceleration of economic growth. In most

5/ For the Lima Declaration and Plan of Action on Industrial Development and Co-operation, adopted at the Second General Conference of the United Nations Industrial Development Organization, see document A/10112, chap. IV.

developing countries these ratios would need to rise significantly, especially in countries whose saving ratios are relatively low at present. In the low-income developing countries, substantially higher investment ratios would be needed (see annex I, table 3). Moreover, in the case of the low-income countries, to achieve this needed extension of investment for acceleration of economic growth, an external-resource gap would almost certainly open up, increasing substantially their need for sizable and sustained inflows of concessional aid. The international community would need to recognize and respond decisively to this vital need.

(d) In general, a substantial increase in the pace of economic growth of the developing countries would lead to a rapid acceleration of their imports of goods and services, particularly of machinery and equipment. Through rational policies of appropriate import substitution affecting both agricultural and manufactured goods, it should be possible in the better-off developing countries to keep the rate of increase of imports not much above the rate of growth of production. Even this would require an increase in exports of developing countries as a whole of some 7 to 8 per cent per year, implying effective measures of trade liberalization on the part of developed countries as well as substantial net inflows of all forms of external finance on a scale, in relation to the gross national product of developed countries, equivalent to that achieved in the 1970s.

(e) Many countries should be able, as in the past, to rely on external borrowing on commercial terms. But a number of developing countries, particularly those with low incomes, would remain heavily dependent on concessional finance. We strongly recommend that the target of 0.7 per cent of the gross national product of developed countries be reaffirmed as the minimum for net official development assistance and reached by 1985, as assumed in the Secretariat calculations. In addition, over the decade, two thirds of this concessional assistance should be allocated to the low-income countries, beginning as soon as possible.

20. The above-mentioned calculations are based on a number of assumptions relating to international economic conditions, particularly a restoration of more rapid economic growth in the developed market economies of an order of 4 per cent per annum throughout the 1980s. The latter appears to be a somewhat optimistic assumption, and several recent forecasts estimate a lower growth rate of an order of 3 per cent. Although lower growth in the developed countries would present some difficulties for many developing countries, it would be wrong to assume too direct a link over the long term between the growth rates of the developed and those of the developing countries. By pursuing vigorously policies of collective self-reliance, by mobilization of additional internal resources, by more effective policies towards the public sector, by developing intensive regional and subregional co-operation among the developing countries, worsened external economic conditions can in part be counteracted. Indeed, the developing countries could become a dynamic part of the world economy in the third development decade, providing a stimulus to the developed countries as well as to one another. This needs to be particularly emphasized in formulating the international development strategy.

21. Higher rates of economic growth should be an important goal of the strategy. But as indicated earlier, highly aggregated growth rates are neither the most important nor the most reliable indications of the structural changes and improved

living standards which we believe could follow from a better ordered and more dynamic world economy. Indeed, we would caution against spending long hours debating fine differences in target growth rates instead of exploring specific ways to achieve more effective economic progress. Moreover, in looking to the future, there is a need to allow so far, for the uncertainties and the broader possibilities which are likely to develop in the 1980s. We have sketched some of the pessimistic possibilities. There are also optimistic opportunities for change - and, in some respects, a greater sense of the need for them today in the light of experience by the 1970s. As indicated in our 1979 report, 6/ there is a greater sense today of the need for emphasizing human values and of the risks and costs of allowing these values to be simply lost or crushed by imported modernity. Development must involve national revival and self-reliance. We also see a need to encourage a more questioning and experimental attitude to the future, and recognition of this attitude should be built into the decade. To this end, we suggest equal emphasis on three other areas of objectives.

2. Satisfaction of individual and community human needs

22. Fast economic growth of the developing countries in the 1980s, if achieved and combined with measures of redistribution and restructuring, should also lead to acceleration of their social progress. It seems desirable, in this context, to set four main goals within the framework of the international development strategy for the 1980s:

(a) The eradication of mass hunger and the achievement of adequate health and nutrition levels for all citizens of the world by the year 2000. The provision of safe drinking water and better sanitation by 1990 and primary health care facilities for all would be important steps towards this goal.

(b) Eradication of mass illiteracy by the year 2000 and the achievement of universal, compulsory primary education sufficient to produce functional literacy.

(c) Life expectancy should be increased to 60 years as a minimum and infant mortality reduced to 50 per 1000 live births as a maximum in all countries by the year 2000. Countries in which these targets have already been achieved or nearly achieved might adopt the target of halving by the year 2000, the gap between their own rates of life expectancy and infant mortality and the rates in the most advanced countries of the world.

(d) Achievement of full productive employment by the year 2000.

23. It is for individual countries to work out their own goals in these matters in the light of existing circumstances and resources. However, as part of the international development strategy, the international community ought to be ready to offer technical and financial support in achieving those goals.

24. Appropriate steps will be needed to work out regionally and internationally measures for such assistance and indicators for monitoring progress in moving

6/ Official Records of the Economic and Social Council, 1979, Supplement No. 7, para. 105.

towards these goals during the 1980s. Experience in a number of developing countries already shows what is possible. The eradication of smallpox from the world for total expenditure, national and international, of less than \$300 million - less than the cost of three bomber aircraft - illustrates what focused international action can achieve in only 10 years. We believe that targets to narrow some of these human dimensions of development could well be incorporated in the strategy.

25. Emphasis on the four goals listed above should not imply neglect of other justified social objectives and lines of action. It is nevertheless reasonable to accord high priority to a limited number of social goals in the framework of the international development strategy.

3. International structural change

26. Growth is important, but major advances in the developing countries will also depend on structural changes in the world economy. Structural changes involves much more than changes of institutions, as debate on the new international economic order has already made clear. World food security, industrial development, long-run balance in energy supply and demand, technology and armaments are all areas where structural changes in the balance of world production and consumption and related processes are required, and where most groups of the world economy have something to gain from a more rapid and concerted process of adjustment. Chapter II indicates some priorities in these main components of the strategy.

27. Great predictability and longer term assurance in the prices and supplies of commodities in the 1980s would also make a useful contribution to a more stable and positive international economic environment. All groups of countries could gain from an international agreement in this area; yet the plain fact is that agreement on measures to achieve it have only been possible in limited areas so far. New efforts should be made over the coming years, recognizing the need for such agreements to cover greater stability and predictability of real prices as well as greater security of supplies, and to cover a number of major commodities not just oil or energy. The differences between renewable and perishable commodities and non-renewable commodities should be clearly recognized, as well as the need of countries to avoid excessively rapid depletion of reserves of non-renewable resources.

4. International institutional changes

28. As stressed at the beginning, the third development decade should be a time for making important changes in world economic institutions, especially those with major responsibilities for international finance and monetary matters and trade. Some priorities for institutional change, which we believe should be incorporated in the international strategy, are discussed in chapters II and III.

29. A major element in institutional change will be more effective policies in the area of world finance and demand to restore greater dynamism in the world economy. Various institutional changes towards this end need careful consideration.

Prospects for the developing countries would be substantially improved by the restoration of more stable, dynamic and less-inflationary economic growth in the developed market economies. Anti-inflationary efforts must therefore be combined with policies to restore growth, increase employment and productivity. Such growth, reinforced by less protectionist policies, would enlarge the markets for exports from the developing countries, facilitate the process of international structural economic adjustment, and promote increased concessional capital transfers. Changes in the international monetary and financial system will also be needed.

30. An important contribution to accelerated development of the developing countries in the 1980s could come from increased trade and greater economic and technical co-operation among these countries themselves. Increased collective self-reliance among developing countries should be part of a wider global process of restructuring international economic relations.

31. In the restructuring of the international economic system and institutions, the problem of the least developed countries, which constitute the weakest component of the world economy, needs to be treated as a special problem requiring urgent and specific remedial action by the international community. The objective of this action must be the transformation of the economic and social structures of these countries to bring about immediate improvement in living standards, to render them capable of accelerated, self-sustained growth and development, and to enable them to benefit fully from other measures taken by the international community to promote the development of the developing countries in general. It is hoped that the United Nations Conference on the Least Developed Countries, to be convened in 1981, will finalize a substantial new programme of action in favour of these countries for implementation during the 1980s.

32. A very important condition for successful implementation of the strategy is a peaceful international environment, ensuring international security and effective measures to reduce armaments. Over the first two development decades, the world context was far from peaceful, with well over a hundred major and minor wars and military involvements occurring in many parts of the world. These took place predominantly on the soil of developing countries, though usually directly involving weapons, resources and the strategic interests of more developed countries including the major powers. Such violations of national sovereignty produce death and destruction in place of well-being and progress, and at the cost of vast expenditures of finance and foreign exchange, as well as physical and human resources. Should this continue over the decade, with growing international tension and confrontation, the risks of serious disruption to development would increase - as would the risk of nuclear disaster. Although we have no illusion about the ease with which progress can be made in this difficult area, a measure of disarmament and a more peaceful environment should be made important goals of the decade.

II. PRIORITY AREAS FOR ACTION

A. Agriculture and trade

1. Agricultural production, food and nutrition

33. Lagging agricultural growth was a major reason for the failure to reach the development targets of the 1970s. Although there was some small improvement in food consumption measured in terms of national averages, in many countries there was no reduction during the Second Development Decade in the numbers of people afflicted by serious and chronic malnutrition.

34. Developing countries need to reach a 4 per cent average annual growth in agricultural production in the third development decade both in the low-income countries and in the others. A similar target for the Second Development Decade remained unfilled largely because investments in agriculture and rural infrastructure had been too low in most developing countries.

35. Thus, developing countries must progressively increase their annual investments in agriculture proper to a level around 50 per cent higher, in real terms, by 1990 as compared with 1980. Current inputs to production, needed to make full use of these investments, must be almost trebled in the same period. Moreover, developing countries must also sharply increase their investments in agro-linked industries, rural transport facilities and other infrastructures, including river basin schemes.

36. Research has a central role to play in accelerating production: the most important issue is to adapt and disseminate application of mainly known technology to conditions specific to developing countries. Assistance to this research, especially to institutions in developing countries, could pay large dividends provided it is backed up with more effective extension services.

37. Time-bound targets should be set by each country for the availability of minimum levels of such services to agriculture as research extension and technical training for men and women as well as those servicing the whole of the rural sector, such as roads, communication, electric power, safe-drinking water, primary health care and education.

38. In order to finance these expanded services, a larger share of government revenue, including that obtained by export levies and other taxes on agriculture, should be redirected for use in rural areas, and pricing policies should be designed so as to encourage investments in agriculture, use of rural savings in agriculture, and use of additional rural labour, including that of women, youth and other landless persons, within agriculture and agro-linked industries and services.

39. A higher rate of food and agricultural production and a reduction of food losses prerequisites for better living conditions of the rural populations of developing countries, for sustainable improvements in nutritional standards of urban as well as rural people, for slowing the rural exodus to the towns and for the provision of a solid base to the process of industrialization which alone can enable poor countries to progress along the road of economic development.

But expanded production is only one prerequisite: the objectives of the third development decade also require that greater equity in the farm sector and improved food consumption of disadvantaged peoples be sought directly and at the same time.

40. Hence, the process of ensuring more equitable access to land and water resources must be started and this will require many institutional and policy changes. Agrarian reforms in developing countries form an integral part of measures, which are vital to the solution of the food problem. It became increasingly clear over the 1970s that long-term improvements in the situation of the poor and deprived would come about only when they themselves achieve greater control and power over their own resources and destinies. Appropriate organizations of the rural people must be promoted among the men and women who make the actual decisions concerning farm production and the use of output.

41. The continuation of widespread malnutrition would make a mockery of the new international development strategy. Chronic hunger remains because people cannot afford to buy the food they need or do not have the means to grow it. The nutritional conditions must be improved by special measures aimed at these groups rather than by reliance on policies which hold down prices of farm products and so handicap the expansion of output and increase dependence on food imports. Food-for-work programmes and such other measures should aim at using locally produced rather than imported food wherever the supply warrants.

42. It is hoped that, over the 1980s, as many countries as possible will adopt targets of reducing substantially the extent of widespread malnutrition. It is suggested that wherever a significant proportion of the population is seriously malnourished, the objective should be at least to halve the numbers malnourished before the end of the decade.

2. World food security and agricultural trade

43. World food security must be improved significantly. The widely accepted safe level of world food stocks is of the order of 17 or 18 per cent of annual consumption, although this estimate must be interpreted flexibly in the light of current conditions. The essence of world food security is international agreement on the holding and disposal of stocks of food grains. International management could economize significantly on minimum quantities that should be held. Part of the internationally managed stocks should be earmarked for developing countries. Other essential elements of food security are putting into place a special International Monetary Fund food facility and a new Food Aid Convention at an adequate level as well as assistance to enable low-income countries to keep appropriate government-owned stocks, thus avoiding soaring prices and starvation of the poor in years of harvest failure. A better geographical balance of reserves would lessen over-dependence of developing countries on cereal imports from North America.

44. The international community must accept not just a continuation of food aid in the 1980s but the need and scope for its expansion under careful control of its use. However, food aid should be regarded as transitional; in the longer run countries should be able to put their food production on a sound basis, in accordance with the principles of self-reliance.

45. Assistance to agriculture in developing countries should be sharply stepped up, especially to low-income countries with a large share of their population

engaged in agriculture. This aid will need to be raised substantially: according to estimates of the Food and Agriculture Organization of the United Nations, to two and a half times by 1990 as compared with the latest year (1978) for which data are available. Criteria for external finance to rural development in low-income countries should be liberalized to cover local costs and recurrent as well as capital expenditures, and a significant part of such finance should be aimed at small farmers who need to modernize their farms.

46. Low-income countries should be offered bilateral and multilateral grants or very soft loans for major agricultural and rural development plans, including large-scale river basin projects and plans for environmental improvement.

47. For a number of reasons, particularly the protectionist agricultural policy of developed countries, including subsidization of agricultural exports, and lagging production in the face of rising domestic demand in developing countries the share of developing countries in world agricultural exports has been declining. This trend should be reversed and income from agricultural exports from developing countries should increase by an average of about 4 per cent per year over the decade.

48. To obtain this increase of agricultural exports from developing countries, both they and the developed countries must improve radically the access to their markets of agricultural products from developing countries. Improved market access is particularly important for the low-income countries with a large agricultural sector. Access to markets needs to be on a stable and predictable basis, and trade should make use of various forms of commodity stabilization, especially those measures which would assist more effective stabilization programmes for agricultural products.

49. In this context, emphasis should be placed on (a) the early implementation of the integrated programme for commodities including an adequately funded and effective second window of the Common Fund as agreed in the framework of the United Nations Conference on Trade and Development; (b) conclusion of international agreement and arrangements for individual commodities; (c) proper compensatory financing schemes aimed at stabilizing the export earnings of developing countries; and (d) signing of long-term agreements between developing and developed countries on deliveries of agricultural products to the developed countries.

50. The developed countries should expand the generalized system of preferences and reduce and, if possible, eliminate open or concealed subsidies to competing products of their own.

B. Industry and trade

51. The present world industrial structure represents a mismatching of endowment of resources and productive capacities. The developing countries are endowed with large (and often underutilized) labour forces and plentiful supplies of raw materials but manufacturing activity and its associated technical and financial resources are found primarily in the North. The Lima Declaration and Plan of Action, which constitute a central element of the new international economic order, call for a more rational and just economic structure for the world, in which through planned and sustained co-operation industrialization of the developing countries can be brought about. Industrialization represents a dynamic instrument of growth which, owing to its linkages with other sectors and the material and social benefits it confers, represents a crucial need of the developing countries.

52. The Lima Target calls for an increase in the developing countries' share of world manufacturing production to 25 per cent by the year 2000. As indicated earlier, a major step towards the realization of the Lima Target would be made if manufacturing output in the developing countries would grow on the average by 9 per cent per year in the 1980s.

53. In the third development decade, the Lima Target can best be pursued by a combination of:

(a) Proper national industrial development strategies in both the developed and the developing countries;

(b) Economic co-operation among developing countries and collective self-reliance;

(c) Global co-operation, including an opening up of world markets.

1. Some basic issues in industrialization

54. Industrial co-operation between North and South would allow the growth of the world economy to follow an efficient path. It would provide a stimulus to the South's economy, which in turn would benefit the economy of the North.

55. The development of a modern industrial sector and technological transformation are critical for the structural transformation of the economies of the developing countries. At the same time, an efficient small industry and rural enterprise in the informal or traditional sectors of the economy, with relatively small scale production should be actively promoted. These activities could use "appropriate" labour-intensive technologies. The real problem is to produce a healthy symbiotic relationship between the two types of industry so that it is possible for the economy "to walk on two legs". This situation would have to prevail for a fairly long transitional period until such time as the modern industrial and service sectors acquire sufficient weight in the economy as to generate sufficient employment for the growing labour force and slow rural-urban migration.

56. The optimum pattern of modern sector industrialization in developing countries raises fundamental issues. The pattern of industrial development should:

(a) Utilize to the maximum feasible extent locally available resources, skills, innovativeness and markets;

(b) Be characterized by strong inter-industry and inter-sectoral linkages, encompassing the production of not only consumer goods but also intermediate and capital goods - in other words, be highly integrated both vertically and horizontally.

57. In practice, however, this pattern may often not be economically feasible for the smaller developing countries (which constitute the majority of developing countries) ever to approach it to any substantial extent because of limited market size and absence of a wide range of natural resources. Although smaller countries should seek to build up inter-industrial and inter-sectoral linkages and to utilize their local resources and markets, they can do this only up to a certain point and will have to be more dependent on external trade and be much more specialized and less diversified in their industrial structure than larger countries.

This is the essential reason why most of the developing countries have a basic interest in schemes of subregional and regional industrial co-operation and in exporting manufactures and other products to world markets. For these reasons, it is highly desirable that the design of industrial development strategies over the 1980s be formulated not only at the national but also at the subregional and regional levels. Other regional work could especially concentrate on building up industrial and agro-industrial complexes with their concomitant linkages.

58. One of the widespread developments of the 1970s has been the establishment of industrial facilities for "segmented production" or "enclave industries", often located in "export processing zones". This has usually involved transnational corporations establishing locally affiliated enterprises which often import all their inputs from the parent company, carry out locally labour-intensive operations on such imports and then re-export their entire output to the parent company or another affiliate abroad. This type of industrial activity is often highly labour-intensive and therefore creates employment opportunities locally, and can also help transfer know-how and stimulate training. But the limited linkages with the domestic economy are an obvious weakness and there are often other economic and social problems, some related to the tendency to employ young girls for only limited periods. Developing countries (even the smaller ones) should not allow themselves to remain with this rudimentary and highly dependent form of industrialization but should seek over the 1980s to raise the skill-intensity of these industries, develop more local ownership and control, and create more linkages between them and other local industries and economic sectors, so that genuine "export-oriented industries" rather than mere "enclave industries" are built up.

59. Several other policy issues raised by industrialization will be important over the 1980s. Industrialization is a highly interrelated process and must be accompanied by appropriate measures in other areas.

(a) Any industrialization thrust must be accompanied by appropriate strategies in the agricultural sectors. This is not only because industrial and agricultural development should be closely linked with each other but also because the interaction between the two sectors makes it easier to meet from domestic sources the growing demand for food of a growing population.

(b) The financial resources required by the South for the pursuit of the Lima Target will be very great. Along with a substantial increase in domestic saving, financial flows from abroad will have to increase considerably. Such financial flows will have to include direct foreign investment with due safeguards for the long-term development interests of the developing countries. The dimensions of the problem also call for new mechanisms for resource flows not only from developed to developing countries, in which the present one-sided dependency is transformed into a new mode of interdependence, but also from developing countries in financial surplus to other less fortunate developing countries.

(c) The developing countries must increasingly undertake local processing before export of a much higher proportion of their agricultural and mineral raw materials than is now the case. This in many cases may also imply that they must engage more heavily in other downstream activities such as transport, marketing and distribution. Both tariff structures and non-tariff barriers in developed countries will need to be changed in order to eliminate discrimination against more highly processed imports.

60. Accelerated industrialization will also raise critical issues for policy in other sectors, especially for:

- Technology, research and development
- Industrial education and training
- Rational energy use, in their particular context of rising energy costs.

Proposals on these issues are mentioned in subsequent sections of this chapter.

2. Trade in manufactures

61. Although the exports of manufactures by developing countries increased substantially in the 1970s, they still constitute less than 10 per cent of world trade in manufactures. Furthermore, the developed countries have a virtual monopoly of the highly technologically sophisticated and often most profitable end of world trade in manufactures. An increasing share of developing countries in world trade in manufactures (including capital goods) is a necessary condition for their success in raising their shares in world industrial production, and participating more fully in world technological development. The trade target for manufactures proposed by the secretariat of the United Nations Industrial Development Organization, by which manufactured exports from South to North would be at least 50 per cent of those from the North to the South by 1990, gives one expression of such a strategy, together with the target put forward by the secretariat of the United Nations Conference on Trade and Development that by the year 2000 the South should export 30 per cent of total world manufacturing exports.

62. A substantial increase in the share of developing countries in world trade in manufactures would be a development from which the developed countries themselves would derive considerable benefits, given their dominant position in technology, the extensive involvement of transnational companies in industrial production in the developing countries and their virtual monopoly of the highly valuable sophisticated end of the market. All this is in addition to the favourable effect that imports of cheaper manufactures from the developing countries are likely to have on domestic prices and the stimulating effects of competition from imports on the productivity of domestic industries.

63. These benefits are real even though they are often overshadowed by the problems of adjustment faced in individual industries of the developed countries. In this connexion, we consider it important to draw attention to the following passage from our 1979 report:

"In implementing the new strategy, an agreement between developed and developing countries should be sought which contains a fixed timetable 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 (adjustment) assistance programmes designed to facilitate the resettlement of workers into new lines of production." 7/

7/ Ibid., para. 44.

64. If the world is not to be denied the mutual advantages that accrue to developed and developing countries alike from the expansion of the production and exports of manufactures by developing countries, developed countries will have to pay more attention to positive adjustment measures to assist the restructuring of industries that have become relatively uncompetitive as a result of changing comparative advantage. While it cannot be doubted that the developed countries possess the financial and technological capabilities to cope with the necessary adjustment measures, a good deal of political will and commitment will be needed in the new decade to mobilize these resources for industrial restructuring on a scale that will help to promote a substantial liberalization of industrial imports from the developing countries.

C. Energy

65. Although world discussion of energy issues has frequently been dominated by changes in petroleum prices, this should not obscure the fact that the real energy crisis facing the world is the problem of matching available supplies with the long-term needs of the world economy. The major issues of policy posed by the problem are concerned with measures to restrain demand for energy and to develop new sources of supply.

66. The world has now started to address itself to these policy issues, but practical progress has been slow. The developed countries, which consume 80 per cent of world energy supplies, have made only modest progress in restraining demand, while the oil-importing developing countries have had real difficulties in reducing their present low levels of energy demand any further, without compromising their development needs.

67. With regard to supply, in spite of substantially increased effort in the developed countries, only modest progress has been made in the drive to develop alternative and renewable sources of energy. In the developing countries, vast potentials of conventional sources of energy remain untapped because of difficulties of mobilizing the necessary financial and technological resources for exploration and development.

68. The new decade should be used to launch fresh initiatives to influence the conditions of supply and demand for energy resources, so as to bring a new balance in the energy market. In the past decade, the emergence of a global consensus on energy issues was obstructed by different, and often irreconcilable, perceptions of the energy problem by different groups of countries - although there was awareness that energy issues, economic growth, and the transfer of resources and technology to developing countries were closely related.

69. The first imperative for effective action is acceptance that the energy problem is a world problem and that the solution demands concerted action by the international community. Such action should involve the mobilization of world research and technological capabilities for the development of new sources of energy on a world-wide basis. Present efforts, although growing, are inadequate and imbalanced, concentrated on the development of new energy sources in the developed countries and unlikely to make a significant impact on world energy supplies and prices for a considerable time. Furthermore, in the case of nuclear energy for both peaceful and military uses, to which vast resources are now being devoted, serious doubts and uncertainties have arisen about possible damage to human life and health, and the environment.

70. A much broader approach to world energy development would involve the massive application of world research and technological capabilities to the energy potential of the developing countries. This could well be launched in the third development decade, firstly, by a substantial expansion of the efforts already initiated by the United Nations and the World Bank to assist developing countries in the exploration and pre-development of their energy potential, and, secondly, by establishing new arrangements for mobilizing the research and development capabilities of the developed countries to assist the developing countries in the exploitation of new energy sources and in building up their own research and technological capabilities in this important area.

71. Even with such efforts, the real price of energy is likely to rise during the 1980s. It will be better all round if the increase can be comparatively steady and predictable. Efforts to achieve such a smoothing of energy price changes, consistent with the underlying supply-demand consideration, should form part of the proposed global negotiations relating to international economic co-operation for development, which might also cover the stabilization of markets for other major traded commodities as well as the transfer of resources and technology to the developing countries.

72. Such global arrangements should also include some measures for the conservation of non-renewable sources of energy and for the development and much wider application of energy-efficient technologies. This, in any case, will be made easier to the extent that success is achieved in the development of renewable energy sources. In the immediate future and, indeed, throughout the 1980s, conservation measures will be particularly important, and would have to proceed beyond the point already agreed among the developed countries.

73. Meanwhile, the rising cost of energy presents particular problems to the oil-importing developing countries. To cope with this, it will be necessary to expand the present measures undertaken by the oil exporters and international aid and financial institutions to deal with the balance-of-payments problems of such countries, particularly the least developed and other low-income countries.

D. Financial and monetary issues

74. The Second Development Decade witnessed far-reaching changes in the scale and pattern of financial flows of finance to developing countries and in international monetary arrangements. The third development decade thus opens with new challenges as well as opportunities in regard to development assistance, other capital flows and international liquidity.

(a) The International Monetary System created in the 1940s at Bretton Woods broke down at the beginning of the 1970s and has so far not been replaced by a satisfactory alternative.

(b) Several developing countries have emerged as capital exporters and a number of others have demonstrated their ability to absorb substantial amounts of external capital on commercial terms. Some developing countries have also emerged as important exporters of industrial goods, including capital goods, making the need for initiatives, such as refinancing facilities for credits extended by some developing countries to others, more relevant and urgent.

Possibilities of co-operation among developing countries have become not only feasible but more necessary in view of the differing problems and prospects confronting different developing countries.

(c) Many of the better-off oil-importing developing countries were able to maintain their momentum of growth after 1973 by incurring very heavy short-term indebtedness to international commercial banks. To maintain repayments, they need improved access to the markets of the developed countries for their agricultural and industrial exports. They also need improved access to the long-term bond markets of the developed countries and other forms of long-term programme loans from international financial institutions.

(d) The flow of official development assistance, particularly to the poorer developing countries, has remained disappointing and there has been little progress in regard to multi-year aid commitments in advance. Nor has there been much progress in regard to qualitative improvements such as untying of aid, non-project or programme assistance and debt relief.

(e) Recession has brought new possibilities for mutual co-operation. The difficulties facing the developed countries, especially the general deficiency of demand combined with inflationary pressures, have led to underutilized liquidity in the banking sector and the possibility of much greater transfers of capital between developed and developing countries. Such transfers can help to expand world trade, in turn stimulating higher levels of activity in the developed countries.

75. What is true of capital transfers is equally true of the international monetary scene. Indeed, short-term disturbances in balance-of-payments and constraints on longer-term development are becoming so much intertwined that it is becoming increasingly unhelpful to think of monetary and developmental problems in separate compartments, whether in respect of corrective action or in terms of the institutions through which co-operative action is organized. The various recommendations that follow are designed not only to meet the newly emerging problems but also to take full advantage of new opportunities in the third development decade.

1. Development assistance

76. With respect to development assistance or concessional aid, the key issue remains the need for substantially larger development assistance to the low-income developing countries - that is, not only the least developed countries but also the other poorer countries clustered in sub-Saharan Africa and South and South-East Asia.

77. The volume of concessional assistance is thus critical. The target of 0.7 per cent of the gross national product of the developed countries should be reaffirmed as the minimum for concessional transfers. At least this much aid is urgently required for meeting the minimum needs of the poor strata of society and also for stimulating production and more of essential general development. With a judicious mixture of technical assistance and pre-investment activities coupled with constructive and well-administered efforts on both sides, there is no doubt that the low-income countries can absorb efficiently a much larger volume of concessional aid than at present.

78. A number of developed market economies have demonstrated the potential feasibility of even exceeding the 0.7 per cent aid target. We believe that the others, especially the larger developed market economies, should commit themselves to achieving this target by 1985.

79. It is also important that the developed countries with centrally planned economies provide in their long-term plans for continuing and growing bilateral and multilateral assistance to interested developing countries in their efforts to achieve economic independence. In general, it is important that the developed centrally planned economies develop further their co-operative economic relations with interested developing countries in keeping with their respective socio-economic systems and in ways that have proved mutually beneficial.

80. The proportion of official development assistance going to the low-income developing countries urgently needs to be increased: at least two thirds and preferably more of such assistance should be concentrated on them throughout the 1980s. In this connexion, while the aid programmes of the high-income members of the Organization of Petroleum-Exporting Countries are already generous by comparative standards as far as the quantum of their assistance is concerned, there is scope for improvement in its quality both in regard to its concessional character and its distribution in favour of the low-income developing countries irrespective of their racial, religious or geographical affiliations.

81. Other qualitative improvements in development assistance are needed: financing of local costs, untying of aid and providing much higher proportions as programme and sectoral loans. More aid should be provided as grants not only for the least developed countries but for all the low-income countries. All these should be accepted as essential ingredients for a proper international development strategy and not merely as concessions to be given under exceptional circumstances. The danger of supporting protectionist tendencies by aid policies should be firmly resisted.

82. The "soft windows" of the World Bank (that is, the International Development Association) and the regional development banks, particularly the latter, have very limited funds and very little assurance of regular commitments at increasing levels. Through negotiations at the beginning of the third development decade, target rates of growth in real terms for resources for concessional aid at the disposal of all these institutions should be established for the decade as a whole.

83. Since funds for concessional assistance would always be limited in relation to needs, all international resources that become available more or less as an international windfall should be reserved exclusively for augmenting concessional aid flows. For example, profits made through the sale of gold by the International Monetary Fund should not be distributed among all members or in relation to the credit extended or utilized by them but should be reserved for purposes that benefit predominantly the low-income members of the Fund. The same principle should apply in distributing the benefit implicit in the creation of the special drawing rights or other reserve facilities by the Fund.

84. Regarding the restructuring of debt for the developing countries, the same standards as are applied to the least developed countries should be applied to all low-income countries. Certain conventions should also be established regarding cancellation or rescheduling of repayment liabilities arising from past

concessional aid, such as a waiver of repayment of capital and interest when the reserves of a low-income country are declining and when the country in question is forced to adopt cut-backs in development expenditure. The better-off oil-importing developing countries will also be in need of agreed international procedures to enable them to overcome temporary liquidity problems which may affect the continuing service of their external short-term debt.

85. In addition to financial and capital transfers, there will be a continuing need for flows of technical co-operation resources, including funds for pre-investment activities. Technical co-operation resources made available not only by developed but also by developing countries will continue to be a vital complement to other developmental inputs and should facilitate the development of self-reliance in the developing countries. Technical assistance is also necessary to give practical effect to some of the institutional changes required for the successful implementation of the strategy.

2. Other financial flows

86. In the realm of non-concessional finance, there is a need to recognize that the surpluses of petroleum-exporting countries have created new problems for other developing countries and opened up new and more promising opportunities for international co-operation. As mentioned in our 1979 report, ^{8/} there is a need for increasing the flows of non-concessional capital from the surplus countries to the deficit developing countries to make them more reliable and more stable, to channel them directly whenever possible and, failing that, to recycle them through international institutions. All possible avenues for direct channelling and for greater channelling through international institutions, such as the World Bank, the International Monetary Fund and the regional development banks, should be urgently explored. At the same time, improved access to the long-term capital markets of the developed countries would confer considerable benefits on developing countries, particularly the better-off oil-importing ones. There should also be bolder resort to interest subsidies as a means for increasing the access of low-income countries to commercial credit markets.

87. The developing countries - petroleum-exporting countries and other developing countries with surpluses, as well as the countries needing the capital - could together work out modalities whereby equity investment from each other could be made more acceptable to both sides than similar investment from established or long-entrenched transnationals. Existing institutions set up by petroleum-exporting countries for granting loans and concessional aid to other developing countries could expand the geographical coverage and scope of their operations, or new institutions could be set up to fill in existing gaps.

3. Some financial reforms

88. The case for establishing a world development fund needs serious consideration. Only through a new fund or equivalent institution may it be possible to give the newly emerging surplus countries a sense of equality and adequate participation in management and decision making in regard to international financial flows or capital transfers. A new institution may also represent the only practicable way of establishing new norms of lending, such as greater reliance on programme

^{8/} Ibid., chap. II, sect. B.2.

or non-project loans, or a mixture of semi-concessional and non-concessional finance by cross-subsidization of interest rates. Both the better-off and the low-income oil-importing countries could derive considerable benefits from such an institution providing long-term programme loans. A new institution could also inspire greater mutual confidence and thus make for enlarged financial flows as well as greater stability and greater reliability in such flows.

89. Either through a new institution or otherwise, it is necessary to encourage much greater co-operation among developing countries. There is an urgent need for creating a new facility whereby developing countries that are in a position to export capital goods and other developmental goods are enabled to grant credits to other developing countries to improve their competitive position vis-à-vis more advanced richer countries and to get these credits subsequently refinanced at a reasonable cost.

90. An institutional framework is also needed for converting short-term money market funds into medium- and long-term development finance. Such a framework may well require new rediscounting facilities from such an institution as the International Monetary Fund on par with the extension of development banking internally in many developing countries through the co-operation of their central bank which permits borrowing relatively short-term funds for lending on a medium- or long-term basis.

91. In any event, the existing international institutions, such as the World Bank, must be enabled to extend their activities considerably. As a first step, the present conservative policy of the World Bank and of many regional development banks under which these institutions maintain a ratio of 1:1 between capital and loans - that is, a policy under which their total outstanding loans are not allowed to exceed their total capitalization - needs to be substantially modified, perhaps by increasing the debt to capital ratio to 2:1, as experience so far indicates that the possibilities of default do not require such extreme caution. This would immediately enable the existing institutions to play a much greater role. Co-financing with private banks would also serve the objectives of greater stability and greater reliability.

92. Similarly, the International Monetary Fund should accept on a regular basis much greater responsibility for recycling available funds. The ad hoc arrangements made in the recent past, such as the trust funds and the supplementary financing facility, have been useful. But a more rational strategy for the prompt and efficient utilization of available surplus funds for the benefit of the most seriously handicapped countries needs to be worked out urgently as a regular supplement to the activities of the Fund. The kind of financial pressures experienced during the past few years are likely to continue during the next decade.

93. There is an urgent need for making a start on mechanisms for automatic transfer and for automatic raising of resources for concessional and other aid. Comments on this subject are made in chapter III.

4. Monetary issues

94. A reformed international monetary system would greatly assist all developing countries in coping with their short- and long-term development problems.

95. In any rational scheme of international monetary arrangements which pays due regard to the sovereign rights and needs of all nations, each country should be enabled first of all to have adequate foreign exchange reserves which it could call its own. As a consequence of the colonial past under which reserve management was entirely in the hands of colonial powers, the vast majority of the developing countries do not have such reserves. What is more, the composition of such reserves as they own involves heavy reliance on currency reserves which have a tendency to depreciate to a much greater degree than in comparison with more advanced countries. In contrast, practically all the official gold reserves are owned by the industrially advanced countries, and, at current market prices, gold accounts for more than half of the total official reserves of the developed countries whereas in absolute terms and in relation to total reserves, gold plays a much smaller part in the reserves of the developing countries.

96. The first requirement, therefore, of a reformed and more equitable international monetary arrangement is that, in any creation of owned reserves in the future, historical inequities should be progressively removed. Thus, in any future creation of the special drawing rights, the share of the developing countries should not be linked with their quotas. It should be based on a certain multiple applied to their share in quotas bearing in mind the historical legacy.

97. The proposed substitution account, which is an essential element of a new international monetary system, could also serve the needs of the developing countries for a better distribution of their reserves than at present if their unanimous demand that their interests in such vital areas as liquidity, rate of return and maintenance of capital value should be fully safeguarded is met.

98. As far as credit extended by the International Monetary Fund is concerned, in any new international monetary system the present criteria for determining the quotas of the low-income countries need to be revised so as to take into account the special needs of these countries. The demand unanimously made by the developing countries for greater automaticity in Fund drawings, for greater sensitivity to the needs and possibilities of individual countries at any given point of time as far as conditions attached to Fund drawings are concerned, for enlarging the period of repayment for drawings and, generally, for avoiding a deflationary bias in the Fund's advice to its members should be inscribed explicitly as a part of accepted policy of the Fund at the beginning of the third development decade itself.

99. As far as the stabilization of export earnings is concerned, an arrangement of the Stabex type on a global basis - that is, for the entire membership of the International Monetary Fund - should be established urgently. Such an arrangement could complement measures, such as the establishment of the Common Fund and international commodity agreements.

100. While a régime of floating exchange rates may be unavoidable, every attempt should be made to minimize the fluctuations in exchange rates for major currencies as developing countries in general are not in a position to safeguard their interests adequately in the face of fluctuations in exchange rates which are beyond their control and which are in any case not in response to their own needs.

101. In this regard, surveillance over the policies of the more powerful members of the International Monetary Fund should be effective. It should not be just a matter of formality or routine.

E. Science and technology

102. The new international development strategy should explicitly focus on the importance of science and technology for the achievement of the objectives of the third development decade. High priority must be given to efforts for improving the capability of developing countries to make better use of science and technology, as outlined in the programme of action adopted by the United Nations Conference on Science and Technology for Development, which was held in 1979. ^{9/} This is not only imperative for industrial development but also a pre-condition for progress in such activities as agriculture, health care and construction.

103. Strengthening indigenous scientific and technological capabilities and establishing technological planning as an integral part of national planning will depend critically on such action as enlarging and improving national educational systems, creating more adequate information systems and engineering advisory services, and by establishing or extending agencies concerned with research and development. Regional and subregional co-operation among developing countries can help to carry out these tasks in an efficient manner, and provide the basis for establishing stronger research centres in the developing world. This in turn would help to reduce the brain drain of highly qualified research and teaching personnel from the developing to the developed countries.

104. Domestic development of science and technology and their successful transfer internationally are complementary. Domestic efforts must ensure that a developing economy can master the technology received and can shape its flow in accordance with national objectives.

105. There is a strong presumption that the international patent system, adopted by most of the developing countries, is an impediment to domestic innovation. The Paris Convention for the protection of intellectual property is under discussion and should be revised in order to improve access by developing countries to technologies and to encourage their own innovative activities. In many developing countries the registration of patents held by foreign firms is high, but only a few patents are actually utilized for local production. Since foreign firms are reluctant to license domestic firms the patent system works as a protective measure. An attack on this problem could be made part of the international development strategy. A general reduction in the time span of patents registered in developing countries or a general agreement which requires patent owners to award licences to domestic producers if a patent has been registered but not used for a certain period of time would be helpful.

106. Research and development is a strategic factor in industrial growth. But some 95 to 98 per cent of research-and-development funds are spent in the developed countries. The gap in research-and-development activities may become greater unless developing countries take significant steps to develop further these activities during the 1980s. A primary target of the strategy should be the increase in the developing countries' participation in research and development. This is the way to upgrade industrial structure and to enter into the world markets of more sophisticated products. The more advanced among the developing countries have already built up an industrial base which promises high returns for research-and-development investment. In other developing countries the

^{9/} Report of the United Nations Conference on Science and Technology for Development, Vienna, 20-31 August 1979 (United Nations publication, Sales No. E.79.I.21 and Corrigendum), chap. VII.

development of agriculture and agro-industries needs to be promoted through domestic efforts in research and development. The formation of technically oriented and technically skilled entrepreneurs deserves special encouragement. The developed countries should support these efforts financially and through close technological co-operation, both bilaterally and in the framework of the existing international organizations.

107. The transnational corporations have a potential as an important channel for the transfer of technological knowledge to the developing countries, but often at present this is obstructed by various restrictive practices, and there is little transparency about the costs and prices at which these transfers are taking place. Measures should be taken to ensure that these corporations effectively contribute to the development and strengthening of the indigenous technological capability of the developing countries and help to develop or adapt technology which is in harmony with the economic and social conditions of the developing countries. International codes of conduct on the transfer of technology and on transnational corporations, which should be adopted at the earliest date possible, should serve as major instruments for achieving more equitable relations between developed and developing countries in the field of technology.

108. Innovation and development of high technology are likely to be highly dynamic elements of future change in the industrial countries. It would be wrong to consider this technology of little interest to developing countries. The new development strategy should ensure that the dynamism of high technology serves the broader objectives of the international community and above all that it assists rather than inhibits the more rapid progress of developing countries. To that effect, the far-reaching developments of this technology must be kept under constant review by international institutions so that appropriate action and policy can be taken in line with internationally agreed objectives.

F. Education, health, population and employment

109. Chapter I suggested among other things, the following four goals for the end of the century which should influence the international development strategy for the third development decade:

- The eradication of mass hunger and the achievement of reasonable health and nutrition levels for all citizens of the world by the year 2000. The provision of safe drinking water and sanitation by 1990 and primary health facilities for all are important steps towards this goal.
- The eradication of mass illiteracy and the achievement of universal compulsory primary education sufficient to produce functional literacy by the year 2000.
- The achievement in all countries of life expectancy rates of 60 years as a minimum and infant mortality rates of 50 per 1,000 live births as a maximum by the year 2000. Countries in which these targets have already been achieved or nearly achieved might adopt the target of halving by the year 2000 the gap between their own rates of life expectancy and infant mortality and the rates in the most advanced countries of the world.
- The achievement of full productive employment by the year 2000.

The incorporation of such goals in the long-term framework of the strategy would ensure that the human dimensions of development are kept clearly in view.

110. Specific strategies and plans of action in these areas should be formulated first and foremost by the countries themselves, in the light of their resources and priorities. The programming of policy in the various social fields requires closer attention to the particular development patterns of the developing countries, as well as to social and cultural traditions. Experience demonstrates that the uncritical importation of foreign patterns in such fields as housing, education and health care has often led to expensive and misdirected approaches which have at best contributed inadequately to the achievement of the desired social purposes, and at worst, exacerbated problems and inequalities. Indigenous development patterns should imply, first, solutions that are well adapted to available local resources and, secondly, solutions that take account of societal and cultural traditions. In short, they should be economically efficient and socially appropriate. Regional and global strategies, agreed upon by the international community, need to be sensitive to these local issues when formulating targets, indicators and specific lines of action.

111. Frequently in many developing countries, public social expenditures meant to benefit the poor or the very poor do not do so. Quite often, the benefits accrue mainly to the better-off groups. Governments should institute measures assuring that the low-income groups really benefit from public expenditures on health, education and other social services by providing free or subsidized services to the poor and changing economic costs to the better off.

1. Education

112. If present trends continue many developing countries would still be far from universal primary enrolment by the year 2000. Thus, in the framework of national development plans, educational systems need to be expanded substantially if the long-term goals are to be achieved. 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 and more efficient functioning of educational and training systems. Higher education, in particular, needs to be geared to indigenous scientific and technological development. Education at all levels, together with training for enhancing employment opportunities, needs to 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 and respect for human rights and fundamental freedoms.

113. The role of regional and global strategies should, over the 1980s, be to promote and support national programmes particularly in the fields of:

- Development of universal compulsory schooling at the primary or elementary level
- Reduction of the number of illiterates
- Development of secondary and post-secondary education, in particular for scientific and technical training
- Elimination of various types of educational disparities
- Increasing relevance and effectiveness of education at all levels

- Improving education technologies
- Promoting education for international understanding.

For the sake of monitoring the over-all progress in the attainment of the main long-term development goals indicated, it would be useful to review regularly various education indicators, applied country by country, in subregions and regions, bringing out their relationship to national long-term goals and to the international goals for the decade and for the end of the century.

2. Health and population policies

114. The attainment by all citizens of the world by the year 2000 of a level of health that will permit them to lead a socially and economically productive life, as set forth by the World Health Organization, is a justified long-term development goal to be included into the international development strategy for the 1980s.

115. It is important for the international development strategy to identify the provision of primary health care, safe water supplies and sanitation as key steps to the attainment of this goal. Primary health care programmes, in addition to safe water and better sanitation, should include: education on health matters; promotion of food supply and proper nutrition; maternal and child health care, including family planning; immunization against the major infectious diseases; prevention and control of locally endemic diseases; provision of essential drugs; and the improvement of working conditions. Primary health care requires maximum community and individual self-reliance and participation.

116. 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.

117. Regional and global strategies should promote and support national programmes in this area, particularly in the fields of:

- Planning and organization of primary health care
- Health manpower development, in particular the training of community health workers
- Development of more relevant health technologies in support of primary health care, as well as of transfer and use of appropriate health technology
- Intersectoral collaboration for health development, including family planning
- Promotion of self-reliance and participation at the community level.

118. Specific targets relating to health for the third development decade might specify the provision of immunization against selected diseases to all children of the world by 1990, and the adoption of programmes with realistic standards of

quality and quantity to provide safe water and sanitation for urban and rural areas by the year 1990. For developing country Governments and for the international organizations assisting them, an overriding goal should be the achievement of access of all communities to primary health care facilities by the year 2000.

119. The attainment of the major long-term development and community goals would go far to ensuring better health and living standards of people in all countries of the world. Major increases in life expectancy and reductions in infant mortality can be expected. These indicators ought regularly to be monitored at the national and regional level, both to assess progress in a readily comparable international form and to guide and encourage international support to improve such basic and readily understandable aspects of human and family life.

3. Employment

120. The achievement of full productive employment by the year 2000, as set out by the World Employment Conference of 1976, is an ambitious long-term development goal, which should be included in the international development strategy for the 1980s. A distinction needs to be made between open unemployment and various forms of underemployment, the latter referring to a situation where either employees or the self-employed have very low productivity jobs. The problem is therefore a dual one: to provide productive, reasonably well-paying jobs for the openly unemployed and to increase the productivity and incomes of the underemployed.

121. Unemployment, underemployment and poverty are interrelated. This is so because most families whose minimal living conditions have not been met include persons who are unemployed or underemployed.

122. Very high rates of growth of the labour force (the product of past population trends), insufficient over-all rates of economic growth, the capital-intensity of a modern manufacturing sector and rural underdevelopment combined with agricultural backwardness, and the lack of access to credit and training in relevant skills by the underemployed all contribute to the problem of unemployment, underemployment and poverty. Together with increasing rural-urban differentials, this has encouraged rapid rural-urban migration, and has sometimes led to labour shortages, in agriculture and other rural activities, and to excessive burdens on women and other family members left behind.

123. While emphasis will of necessity have to vary among developing countries depending on their level of development and economic structure, it would appear that the following combination of policies is required to overcome the various employment problems by the year 2000:

(a) Achievement of higher rates of economic growth.

(b) Development of a more productive informal sector in rural and urban areas by a combination of credit, training and better marketing and the diffusion of appropriate technology that matches the factor endowment of the particular country. Greater participation of disadvantaged groups in the formulation and implementation of goals should be encouraged through various measures and co-operative approaches.

(c) Vigorous efforts at agricultural and rural development to increase income-generating opportunities, in cash or kind, and to reduce the rural exodus to the urban areas.

(d) Enabling the low-income groups to have better access to wage-goods and essential services by changing production patterns, improving the internal distribution of income and by provision by the State of properly designed public services. In the smaller countries, wage-goods could be obtained through inputs by increasing export of labour-intensive manufactures.

124. There can be no universal prescription for the right combination of measures. Each country will need to draw up its own goals and targets for the creation of more productive employment and income-generating opportunities. The international community needs to give support to national programmes for employment creation in the context of economic growth, in particular by opening up their markets for the agricultural and industrial exports of the developing countries.

G. Disarmament

125. World expenditure on armaments and military activities exceeds \$400 billion per year. Over the past decade, the arms race has become increasingly a world-wide phenomenon, drawing many developing countries into the over-all trend of rising military expenditure, increasing use of resources for imports of military equipment, and growing reliance on advanced weapons systems. The build-up of armaments contributes to rising international tension and constitutes a threat to the whole human race. While the military expenditure in developing countries as a whole is still quite small in relation to that of the developed countries, it nevertheless represents a major drain on resources which are needed for development: investible surplus, foreign exchange, technicians, skilled manpower, repair and maintenance capacity.

126. Progress in disarmament and the transfer to development purposes of part of the resources and talent now wasted on arms pursuits in developed and developing countries alike is a key question for the success of the third development decade. Particular importance attaches to a moderation of the central arms race among the major Powers as this could release vast resources, could slow down the rate of military technological innovation and could create the conditions under which developing countries would feel able to reduce their military programmes substantially.

127. Concurrently with the vigorous pursuit of present disarmament negotiations, new ways must be found to link disarmament and development by such means that momentum is imparted to both, that there is actually a release and transfer of resources to the benefits of both developing and developed countries. A reduction of military expenditure could be obtained either by direct agreement among all countries, among the major Powers or among the countries within a particular region. In any case, a part of the savings by this reduction should be devoted to development goals either by transfer to individual countries or to a world development fund. Another possibility is to apply indirect means, for example, international taxation of arms expenditures, to motivate Governments to reduce military expenditure. By diverting resources from military use to development purposes a link would be established between the Second Disarmament Decade and the third development decade.

III. MEANS AND IMPLEMENTATION

A. The international development strategy, global negotiations and implementation

128. If the international development strategy for the 1980s is to be more than a rhetorical exercise, it must lead to implementation. It should include a number of concrete measures to be taken, for example, along lines indicated in chapter II. But most of the key elements for co-ordinated international action will require international negotiation before implementation. It is in this respect that a promising connexion could be developed between the strategy, which the General Assembly intends to adopt at its special session in 1980, and the new round of global negotiations it proposes to launch at that session.

129. Appropriate forums already exist in the United Nations system, at both global and functional levels, at which strategy-implementing negotiations should, in any event, take place. Implementation will also be under way in the actions of developing-country Governments and those of multilateral and bilateral development-promotion programmes. In this sense, the preparation of the strategy could be a self-contained exercise that does not depend upon the new exercise that is now being added. However, it could substantially improve the prospects for implementation of the strategy if key aspects of development needs and of the restructuring of the world economy were taken up seriously and at a high level in a fresh set of time-bound global negotiations.

130. In the third development decade, as in the previous two, the main responsibility for development will lie with the developing countries themselves. It is, of course, for these countries to shape their own economic and social destinies. But the international development strategy will only be complete - indeed it will only be possible for the international community to respond to the right sets of priorities - if developing countries individually follow through the international strategy exercise by clearly setting out their own national strategies for the 1980s. It would be useful for these statements of national strategy to articulate the individual country goals and targets for output and employment growth, sectoral growth, distributional reform, and improvements in such areas as health, education, nutrition, and popular participation - with choices of priorities framed by and reconciled within ambitious but realistic estimates of the internal and external resources likely to be available. Such national strategy statements will facilitate internal implementation; they will permit more relevant and realistic monitoring of development progress regionally and globally; and they can provide invaluable guidance to the international side of the common effort.

131. The organizations of the United Nations system that have the responsibility for specific sectors should have a much greater role in defining the international development strategy and in focusing their own programmes in support of the main goals of the strategy. In this respect, the distinction between capital assistance and technical assistance is artificial and the policy of concentrating all available financial resources in one or two international institutions has often left the specialist organizations with inadequate resources in relation to their potential and responsibilities, and this situation needs to be rectified. In support of the

strategy, organizations of the United Nations themselves should focus on augmenting local capability and promoting self-reliance in general by financing local institutions and by hiring local experts as well as by supplying external inputs. In this regard, while policies have been made more flexible, implementation lags seriously. There is still a tendency to regard United Nations organizations and technical assistance programmes as a source of employment for nationals of particular groups of countries and as instruments that pave the way for greater exports of capital goods from individual countries. Member States as well as organizations of the United Nations system will need to make more strenuous efforts over the 1980s to build up local capability in each developing country and to adopt whatever modes of financing that may be most conducive to this objective.

132. The regional commissions should have an important part in the strategy, as we stressed in last year's report. As we said then, adoption of the global strategy "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 intergovernmental forums of regional commissions ... 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." ^{10/} In particular, a number of geographically specific development problems - like transport, irrigation and health activities - cross national boundaries and will need to be addressed in a regional or subregional context. The regional commissions will also have an important role to play in monitoring the progress and adjustment of the international development strategy. The dialogues conducted 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 and subregional bodies.

B. Institutional change

133. As the world enters the third development decade, institutions and mechanisms for harmonizing policies and action in the world economy remain inefficient, inadequately co-ordinated and unrepresentative. Market mechanisms remain uncontrolled internationally, relative to the extent to which they are regulated nationally, in most if not all developed and developing countries. Over the 1980s, there will be a need to develop new and more effective forms for selective international intervention to adjust the mechanisms of international markets, to give the developing countries greater voice in managing them and setting their rules, to reduce their imperfections, to increase their transparency, to smooth their workings and to make them more predictable. In many respects, the need is to work with the grain of market forces in establishing the new international economic order rather than to attempt to supersede them. No single global authority exists capable of replacing the market as a device for ordering the international economy.

134. This approach would build on the growing international consensus that collective intervention is needed to encourage structural changes in a number of

^{10/} See Official Records of the Economic and Social Council, 1979, Supplement No. 7, para. 117.

critical areas where developed and developing countries share mutual interests for collective interventions. We have already mentioned in chapter II a number of areas where such intervention will be needed in the 1980s, and there is therefore a need for further exploration, in studies and international discussion of new mechanisms for such intervention internationally as well as for adjustments in existing mechanisms.

135. Other changes will involve the initial implementation of ideas that are not new but that, having been mooted earlier, will be given their first serious trial in the 1980s. As emphasized earlier, one should look for increases in the role of developing countries in the governance of multilateral development institutions. At least experimentally, some of the transnational taxes and other devices so long suggested for increasing the automaticity as well as the scale of concessional resource transfers from richer to poorer populations, ought to begin to take shape. Further steps can be expected to extract developmental benefits from distributions of the special drawing rights of the International Monetary Fund without impairing their liquidity-related functions. There can and should finally begin to be some serious assembly of sea-bed royalties to the account of the international community for distribution in accordance with development need. In addition, major increases of resources would become available if Governments, large and small, of developed countries as well as developing countries, would agree to contribute to development uses a fixed assessment on their armament expenditures.

136. A variety of proposals for new multilateral development-financing funds, facilities, and/or institutions is just now appearing, including a world development fund and various other proposals outlined in chapter II. It is important that these proposals be examined with great seriousness. Their appearance itself testifies to widespread dissatisfaction with existing financial institutions - and, as stressed already, institutional change will need to be a key element in the new international strategy. Indeed, imbalance in representation may already inhibit the ability of some existing institutions to raise resources from some quarters, particularly from the surplus oil-exporting countries and perhaps also from the developed centrally planned economies. Even if a new international institution, such as a world development fund is set up, every effort should be made to ensure that the membership of the existing international institutions, such as the World Bank and the International Monetary Fund, becomes truly universal. Moreover, the structure and traditions of existing institutions - as, for example, in the case of the exaggerated distinction made between balance-of-payments and development problems and also with respect to the provision of non-project development finance - sometimes impair the economic rationality of their composite support of the development process.

137. The strategy for the third development decade should respond to the legitimate aspiration of developing countries for a greater share in the management of international institutions. Taking the international institutions as a whole, developing country personnel have come to play a larger part in their top management over the last two decades. But this trend needs to be accentuated, in order to achieve a better balance and a loosening of the "property-rights" which particular countries or particular groups of countries have developed with respect to particular posts. The third development decade should specify the various international institutions, including the financial institutions, that should have the top leadership or a significant proportion of the top leadership

drawn from qualified citizens of developing countries. In saying this, we would not wish to weaken the vital tradition that international civil servants should act as genuinely international executives, not as agents of the countries from which they come. This is an essential principle to preserve, and we believe it could be combined with measures to ensure both a better balance in appointments and recruitment practices for the topmost positions that would ensure the selection of persons best qualified to fill them.

138. Over the last two decades, the countries with centrally planned economies have played an increasing role in world trade and participated increasingly in capital and technology markets and international economic institutions. Changes in the international economic systems to encourage and make possible the fuller participation of these countries in international trade and other economic relations on the basis of equitable conditions without discrimination should be pursued as a goal of the third development decade, particularly in ways which help promote the progress of developing countries.

139. Finally, with respect to new mechanisms, we note simply, without attempting to specify possible institutional solutions, that great scope remains for the creation and/or strengthening of machinery to facilitate consultation, the harmonizing of policies, and the promotion of economic and technical co-operation among the developing countries themselves.

C. Joint action at the regional or global level

140. Specification of concrete areas of joint action could not only enhance the operational character of the new international development strategy but could also strengthen both global solidarity and economic and technical co-operation among developing countries. We particularly favour those joint projects or areas of action that would help to overcome serious development constraints.

141. In our 1979 report, we proposed that the strategy should include "a limited number of major /global or regional/ projects ... 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". 11/ For example, if increased agricultural production is accepted as a major priority of the strategy, would it not be useful to agree upon, in the context of the strategy, some joint projects for harnessing rivers that cut across national boundaries as a means of increasing irrigation, agricultural output and probably hydroelectric power? Would it not be possible to agree on new international efforts to develop varieties of seeds that are less water-intensive and therefore suitable for cultivation in arid or semi-arid zones? Would it not be possible to promote in a concrete way some regional projects for expansion of such basic facilities as electricity and transport or for increasing the production of basic industrial goods? Would not the strategy be made more concrete by including a project or two for the eradication of some environmentally related diseases which still afflict a large part of humanity?

11/ Ibid., para. 119.

142. The areas of possible joint action, of course, go far beyond the types of examples just mentioned. Typically, any successful outcome will depend on the vigour and dedication displayed by the beneficiary countries themselves. Here, as we noted in our 1979 report, the prospects for joint action will depend in part on the further development of global and/or regional mechanisms for concerting policies among developing countries in a wide variety of activities relating to trade, industrial and agricultural production, infrastructure facilities, and finance. The new international strategy should attempt to define specific areas for such co-operation - and negotiation of the strategy should focus on practical measures of support for such co-operation.

D. Monitoring the strategy

143. In the International Development Strategy for the Second United Nations Development Decade, it was rightly concluded that, for the Strategy to have continuing influence on the course of events, there was a need to establish a process for reviewing and appraising progress as the Decade proceeded. In fact, however, review and appraisal during the Second Development Decade has been cumbersome and disappointing. It has absorbed much time and energy of United Nations bodies as well as of member Governments, and has been very costly. Worse still, it has had little effect; after all the expenditure of effort, it has left the participants with a sense of futility.

144. In making these comments we have no desire to eliminate or diminish review and appraisal in the third development decade. But it needs to be made more effective. We believe this can be done in a way that reduces some of the layering and simplifies the process. To this end, we propose that:

(a) The review function should be more effectively decentralized - particularly to the regional commissions and the sectorally or functionally specialized organizations of the United Nations system. Global collation and overview of review findings will of course remain important. But the main purpose of regional and sectoral reviews should be to facilitate the decision making of the States members of all those organizations, not to prepare reports specially for the consideration of global bodies.

(b) A sharper distinction should be drawn than was the case during the Second Development Decade between the monitoring of development performance and possible modification of the strategy in the light of unfolding events. A great deal of development monitoring is already undertaken in the United Nations system regionally, sectorally and globally. This kind of regular reporting, much of it analytical as well as statistical and descriptive, should obviously continue and, as possible, be improved during the 1980s, in order to supply information to Governments and multilateral organizations in accordance with established calendars for monitoring. But as regards the international strategy, we would propose that formal monitoring take place every three years, not every two years as previously. A three-year interval would ensure that at least one year of relevant statistics were available, even in areas where the latest information is always two years out of date.

(c) We would particularly stress the need for making the periodic review not merely an exercise documenting what has happened, but an occasion when further action and policy will be considered to make implementation of the strategy's goals more effective.

(d) In the kind of reformed review process we contemplate, some of the most interesting and useful monitoring at the regional level could be done against yardsticks provided by developing countries' own national strategy statements of the type suggested above. Indeed, in certain regions, member States might decide, within the framework of their respective regional commissions, to experiment with periodic collective reviews by members of the evolving development experience of individual members.

IV. SUMMARY: KEY GOALS AND NEEDED CHANGES FOR THE THIRD UNITED NATIONS DEVELOPMENT DECADE

145. In the light of experience with the Second Development Decade, we believe that a broader and in some respects more flexible approach is required in the third development decade, giving less attention to the achievement of rigid quantitative targets and more attention to a broader range of objectives, including structural and institutional change.

146. At the same time, a few quantitative targets may serve to focus attention on key goals and the order of magnitude of changes required in critical areas of policy, as well as to provide a basis for monitoring progress towards them. A number of these have been mentioned in the previous chapters. The present chapter summarizes the most important.

A. Acceleration in the rate of economic development in developing countries, especially in the low-income countries

147. The following average annual rates of growth of gross domestic product are suggested for the third development decade:

- About 7 per cent for the developing countries as a group
- About 6 per cent for the low-income developing countries as a group so as to double this group's per capita income by the end of the century.

148. The proposed growth rates, if achieved, would represent a marked increase on past performance and would critically depend on successful implementation of a number of related changes. Among the most critical of these changes will be an increase in agricultural production by an average of some 4 per cent per annum over the decade, especially in the low-income developing countries, and an increase in manufacturing output by an annual average of about 9 per cent are central. Most developing countries will have rapidly growing foreign exchange and investment needs, requiring an increase in their export growth and domestic saving rates. In the low-income developing countries, an excess of imports over exports is likely to expand, which will require a marked increase in concessional aid flows to them.

149. A key need is for the developed countries to restore more stable, dynamic and less inflationary growth in their own economies, with policies for full employment and welfare which will encourage an open and co-operative response to adjustment and structural change within the world economy.

150. International economic and financial institutions need to play an increasing part in ensuring that adjustments within the international economy are steadier and less abrupt than in the 1970s so that the process of economic growth will be smoother and more balanced.

151. Development assistance has to be a critical element of the international strategy for the 1980s:

(a) The target of 0.7 per cent of the gross national product of the developed countries should be reaffirmed as the minimum for the net flow of official development assistance, to be reached by 1985.

(b) Over the 1980s as a whole, two thirds of the net official development assistance should be allocated to the low-income developing countries beginning as soon as possible.

(c) Qualitative improvements of the official development assistance should be implemented during the 1980s, especially substantial increases in its use for programme financing and financing for long-term infrastructural developments in the low-income developing countries.

(d) Developed countries with centrally planned economies should provide in their long-term plans for continuing and growing bilateral and multilateral assistance to interested developing countries in their efforts to achieve economic independence.

B. Satisfaction of individual and community human needs

152. With regard to satisfaction of human needs, the world community should adopt four main goals to be attained by the end of the century:

(a) The eradication of mass hunger and the achievement of adequate health and nutrition levels for all citizens by the year 2000. The provision of safe drinking water and better sanitation by 1990 and primary health care facilities for all would be important steps towards the goal;

(b) The eradication of mass illiteracy and achievement of universal compulsory primary education sufficient for functional literacy by the year 2000;

(c) The achievement in all countries of life expectancy rates of 60 years as a minimum and infant mortality rates of 50 per 1,000 live births as a maximum by the year 2000. Countries in which these targets have already been achieved or nearly achieved might adopt the target of halving, by the year 2000, the gap between their own rates of life expectancy and infant mortality and the rates in the most advanced countries of the world;

(d) The achievement of full productive employment sufficient to enable all persons to lead a socially and economically productive life by the year 2000.

153. These goals for the third development decade would need to be worked out by each country in the light of existing circumstances and resources. Organizations of the United Nations system, in collaboration with national Governments, should monitor progress towards these goals. These goals should be used to focus the work of international organizations and should act as a focus for support by the international community.

C. International structural change

154. The early establishment of the new international economic order should be a major goal of the international development strategy for the third development decade. In particular, structural changes are urgently needed in several key areas:

(a) A better balance in world food production and world food security

This should cover major increases in agricultural and rural infrastructural investment in developing countries, international agreement on world food grain stocks, increased international support for technological research, and for commodity stabilization schemes.

(b) Major increases in the share of developing countries in world output and trade of manufactures

This will involve substantial increases in the amount of processing of their raw materials and increased linkages with other sectors. Economic co-operation among developing countries needs to be strengthened, especially in industrial and agro-industrial sectors.

(c) A fixed time-table for the removal of all trade barriers vis-à-vis developing countries

In the developed countries, this will require new and more effective adjustment policies and programmes. Among the developing countries, it will require a lowering of trade barriers against other developing countries.

(d) An integrated approach to energy

Action is urgently needed to achieve long-term balance in energy supply and demand, covering increased support for exploring and developing new energy sources in developing countries, accelerated implementation of conservation measures, especially in major energy consuming countries, and support for transition to renewable energy sources. Steady and predictable rather than abrupt and uncertain increases in the real price of energy would help international adjustment; and efforts to achieve these should be made part of international negotiation, along with measures covering other traded commodities and the transfer of resources and technology. An expansion of arrangements to deal with the balance-of-payments problems of oil-importing developing countries is needed.

(e) Science and technology

A variety of measures are needed to ensure that a growing share of the world research-and-development effort takes place in developing countries on issues of direct relevance to their economic and social development and in ways which strengthen their capacity and mastery in technological areas.

(f) Disarmament

Progress in disarmament and the transfer to development purposes of part of the resources and talent now spent on armaments in developed and developing countries alike should be an important goal of the decade.

D. International institutions and mechanisms

155. International institutional change should also be part of the international development strategy for the 1980s.

(a) Proposals for a world development fund need to be explored with a view to its early establishment or the making of equivalent arrangements to ensure major increases in transfers of long-term finance readily available for general balance-of-payments support in the form of programme loans.

(b) To help finance this, a start should be made early in the 1980s on some measures of world taxation, involving automatic and secure sources and automatic and predictable transfers of income.

(c) Major steps need to be taken towards an integrated reform of world monetary, financial and trade-regulating international institutions.

(d) The current Common Fund negotiations need to be speedily completed covering the integrated programme of commodities and including adequate funding for an effective second window.

(e) Changes in the international economic system to encourage and make possible the fuller participation of the countries with centrally planned economies in international trade and other economic relations on the basis of equitable conditions without discrimination should be a goal of the third development decade, particularly in ways which help promote the progress of developing countries.

(f) More balanced and democratic representation of developing countries needs to be arranged in the voting and staffing of international agencies.

(g) There is an urgent need for concerted action by the developed and developing countries to agree on international policies and action which can be directed to international restructuring and a substantial stimulus to economic activity which can be combined with anti-recessionary measures, including mobilization of surpluses and savings for increased transfers to developing countries.

156. Ultimately the success or failure of the international development strategy will depend on the seriousness with which national Governments take and implement their commitment to its goals and objectives. In addition, however, the goals of the strategy should be used more specifically than before to focus and mobilize the work of the organizations of the United Nations system. The regional commissions of the United Nations should also work with Governments to elaborate more specific regional and subregional goals and measures of policy in relation to regional needs and circumstances. Periodic review of the strategy should also be more effectively decentralized to the regional commissions and sectoral or functional organizations.

V. FUTURE WORK AND OTHER MATTERS

157. In resolution 34/57 entitled "Examination of long-term trends in economic development", the General Assembly has, among other things, requested "the Secretary-General, in consultation with the Committee for Development Planning and taking into account the international development strategy for the third United Nations development decade, to submit to the General Assembly at its thirty-fifth session his views on the possible outline and method of preparation of an over-all socio-economic perspective of the development of the world economy up to the year 2000, with special emphasis on the period up to 1990 and, in particular, on the problems of the developing countries". The Committee considered this request while discussing its own future work.

158. As part of the preparation for the intended designation of the period 1981-1990 as the third United Nations development decade, organizations of the United Nations system have carried out considerable work on development perspectives for the 1980s and the 1990s. Similar work has also been done elsewhere, in other intergovernmental organizations as well as in universities and research institutes. The Committee is of the view that, in the immediate future, the focus should be on consolidating and strengthening the base for such work. Attention needs to be given to improvement of both the methodology of work and the required statistical information.

159. Development perspectives are designed to serve as a coherent framework for concerted policy action. Indeed, it is in this manner that the perspective to be provided by the new international development strategy must be viewed. After the strategy is adopted by the General Assembly, the focus should be on the speedy implementation of the policy measures specified in it. As emphasized in the preceding chapters of the present report, the strategy not only should create an international economic environment conducive to accelerated development but should also spur developing countries to formulate their own development perspectives and to pursue vigorous implementation policies. It will be helpful to harmonize national development perspectives and to enlarge economic and technical co-operation among developing countries by evolving, as stated earlier, regional and subregional development perspectives.

160. The Committee stands ready, as usual, to assist the General Assembly and the Economic and Social Council in discharging their responsibilities in development matters. It will gladly examine the critical development problems that these organs of the United Nations consider to be of priority concern.

161. At its seventeenth session, to be held in 1981, the Committee intends to focus its attention on the topic whose importance has been stressed more than once in this report - namely, elaboration of regional and subregional aspects of the international development strategy for the third development decade. The Committee hopes that, for use at the seventeenth session, the secretariats of the four regional commissions of the United Nations that deal with problems of developing areas will each find it possible to prepare, in consultation with the Secretariat in New York, a paper on specific ways in which the international community might help to implement regional and subregional development priorities. It is proposed to concentrate on a limited number of key issues, sectors or problems that are of particular relevance to the region concerned.

162. To prepare the ground for deliberations at the forthcoming session, the Committee will use the machinery of its working groups. Because of the special nature of the topic to be discussed at the session, the working groups will need to meet at the headquarters of regional commissions so as to benefit from on-the-spot discussions with officials of regional commissions and regional specialists on the staff of other interested organizations of the United Nations system. It is hoped that such discussions will also be helpful to the participating organizations in connexion with their own work.

163. The Committee wishes to make arrangements for this purpose as far as possible within the resources available to it for the year 1980. Accordingly, the Committee proposes that one working group should meet at the headquarters of the Economic and Social Commission for Asia and the Pacific, in Bangkok, and another at the headquarters of the Economic Commission for Africa, in Addis Ababa. Each of these two working groups will concentrate, in the context of the region concerned, on the topic specified in paragraph 161 above. Each working group will consist of five members, will meet for one week, and will need to be assisted by two staff members from the Secretariat in New York. The composition of the working groups will be so arranged as to have them conduct their business in the languages for which the host commission has standing facilities. In addition to these two working groups, the Committee proposes to send a team consisting of one Committee member and one staff member from the Secretariat in New York to the secretariat of the Economic Commission for Latin America, in Santiago, and another similar team to the secretariat of the Economic Commission for Western Asia, in Beirut or Baghdad. Each of these two teams will need to spend three days at their visiting place for discussions with officials of the regional commission concerned.

164. The Committee hopes that the resources available to it for convening three working groups in 1980, together with the savings resulting from the inability of some of its members to attend the sixteenth session, will make it possible to convene two working groups and to send two teams as mentioned in the preceding paragraph.

Annex I

STATISTICAL TABLES AND CHARTS

Table 1. Targets for the Second United Nations Development Decade and actual performance from 1970 to 1980

(Percentage annual rate of increase, except where otherwise indicated)

Country group and item	Target rate indicated in the International Development Strategy for the Second United Nations Development Decade, 1970 to 1980	Annual average rate of increase from 1970 to 1978 <u>a/</u>
<u>Developing countries b/</u>		
Gross domestic product		
Total developing countries	6	5.5
Low-income countries	More than 6	3.2
<u>Per capita gross domestic product</u>		
Total developing countries	3.5	2.8
Low-income countries	More than 3.5	0.6
Agricultural output	4	2.9 <u>c/</u>
Industrial output	5.5
Manufacturing output	8	6.8
Exports <u>d/</u>	Somewhat higher than 7	4.5
Imports <u>d/</u>	Somewhat less than 7	9.3
Net official development assistance	0.7 per cent of gross national product of economically advanced countries <u>e/</u>	0.3 per cent of gross national product of developed market economies <u>f/</u>
Net (total) financial resource transfers	1 per cent of gross national product of economically advanced countries <u>g/</u>	1 per cent of gross national product of developed market economies <u>f/</u>
<u>Developed market economies</u>		
Gross domestic product	3.4
<u>Developed centrally planned economies</u>		
Net material product	6.0

(Source and foot-notes on following page)

(Source and foot-notes to table 1)

Source: Department of International Economic and Social Affairs of the United Nations Secretariat, based on international and national sources.

a/ Based on data in 1975 prices.

b/ Excluding centrally planned economies, because of lack of comparable data. Low-income countries refer to the developing countries with per capita incomes of less than \$300 in 1975 at market prices of that year.

c/ The comparable figure for gross output is 2.6.

d/ Goods and non-factor services. The comparable figures exclusive of petroleum-exporting countries for the last column are: exports, 7.4; imports, 6.7.

e/ By the middle of the Decade.

f/ Average for 1975-1978 for the countries that are members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development.

g/ By 1972 but not later than 1975.

Table 2. Targets for the Second United Nations Development Decade and actual performance in 1970 and 1977 a/

(Percentage of gross domestic product)

Item	Target indicated in the International Development Strategy for the Second United Nations Development Decade	1970	1977
Gross domestic investment	19.9 <u>c/</u>	23.6 <u>c/</u>
Gross domestic saving	20 <u>b/</u>	18.0 <u>c/</u>	21.5 <u>c/</u>

Source: See table 1.

a/ Based on data exclusive of petroleum-exporting countries and measured in current prices.

b/ Average for all developing countries in 1980.

c/ For all developing countries (including petroleum-exporting countries), the comparable figures for gross domestic investment are 20.0 per cent in 1970 and 25.9 per cent in 1977, and those for gross domestic saving are 19.8 per cent in 1970 and 27.4 per cent in 1977.

Table 3. Indicators for the 1980s based on a comprehensive combination of national and international policy changes.

Country group and item	Indicator
<u>Developing countries a/</u>	
Annual rate of increase from 1980 to 1990	
Total gross domestic product	7 per cent
<u>Per capita</u> gross domestic product	4.5 per cent
Agricultural output	4 per cent <u>b/</u>
Manufacturing output	9 per cent
Exports	7.5 per cent <u>c/</u>
Imports	8 per cent <u>c/</u>
Share in gross domestic product in 1990	
Gross domestic investment	28 per cent <u>c/</u>
Gross domestic saving	24 per cent <u>c/</u>
Amount of external finance in 1990	
Net official development assistance	0.7 per cent of gross national product of economically advanced countries <u>d/</u>
Net total financial flow	1 per cent of gross national product of economically advanced countries <u>d/</u>
<u>Low-income developing countries a/</u>	
Annual rate of increase from 1980 to 1990	
Total gross domestic product	6 per cent
<u>Per capita</u> gross domestic product	3.3 per cent
Agricultural output	4 per cent <u>b/</u>
Manufacturing output	9.5 per cent <u>e/</u>
Exports	6 per cent <u>c/</u>
Imports	10 per cent <u>c/</u>

Table 3 (continued)

Country group and item	Indicator
Share in gross domestic product in 1990	
Gross domestic investment	30 per cent <u>c/</u>
Gross domestic saving	20 per cent <u>c/</u>
Amount of external finance in 1990	
Net official development assistance	Two thirds of net official development assistance to developing countries as a group <u>d/</u>
<u>Developed market economies</u>	
Annual rate of increase in total gross domestic product from 1980 to 1990	4 per cent
<u>Developed centrally planned economies</u>	
Annual rate of increase in total net material product from 1980 to 1990	5 per cent

Source: See table 1.

a/ Excluding centrally planned economies, because of lack of comparable data.

b/ Gross output.

c/ Excluding petroleum-exporting countries.

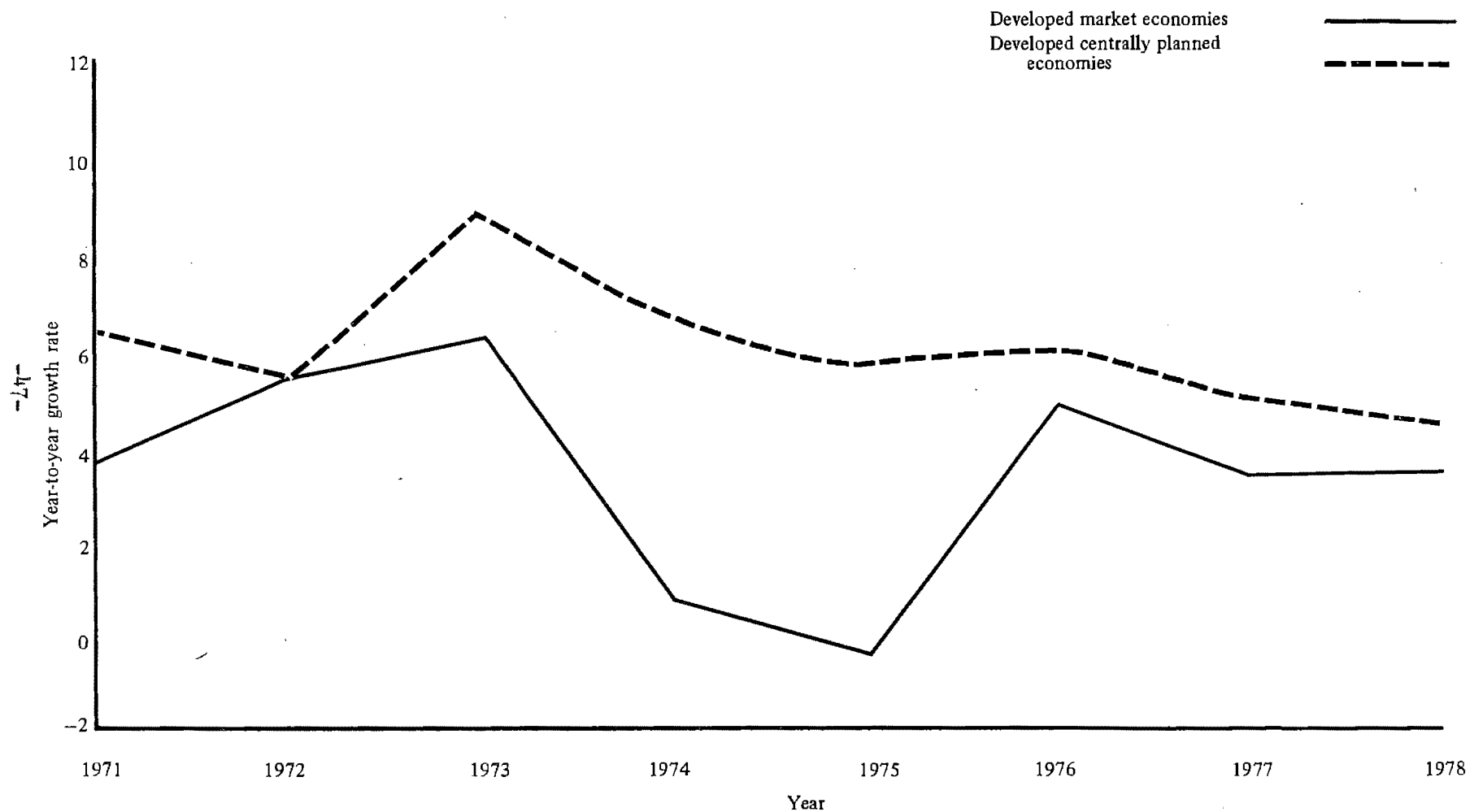
Exports and imports refer to goods and non-factor services.

The difference between gross domestic investment and gross domestic saving equals the difference between imports and exports.

d/ The underlying estimates assume that the economies of developed countries will grow at rates indicated in the lower part of the table and that the target of 0.7 per cent for net official development assistance will be reached by 1985.

e/ In comparing this figure with other figures for output, it should be noted that manufacturing accounts for a relatively small proportion of total output in low-income countries.

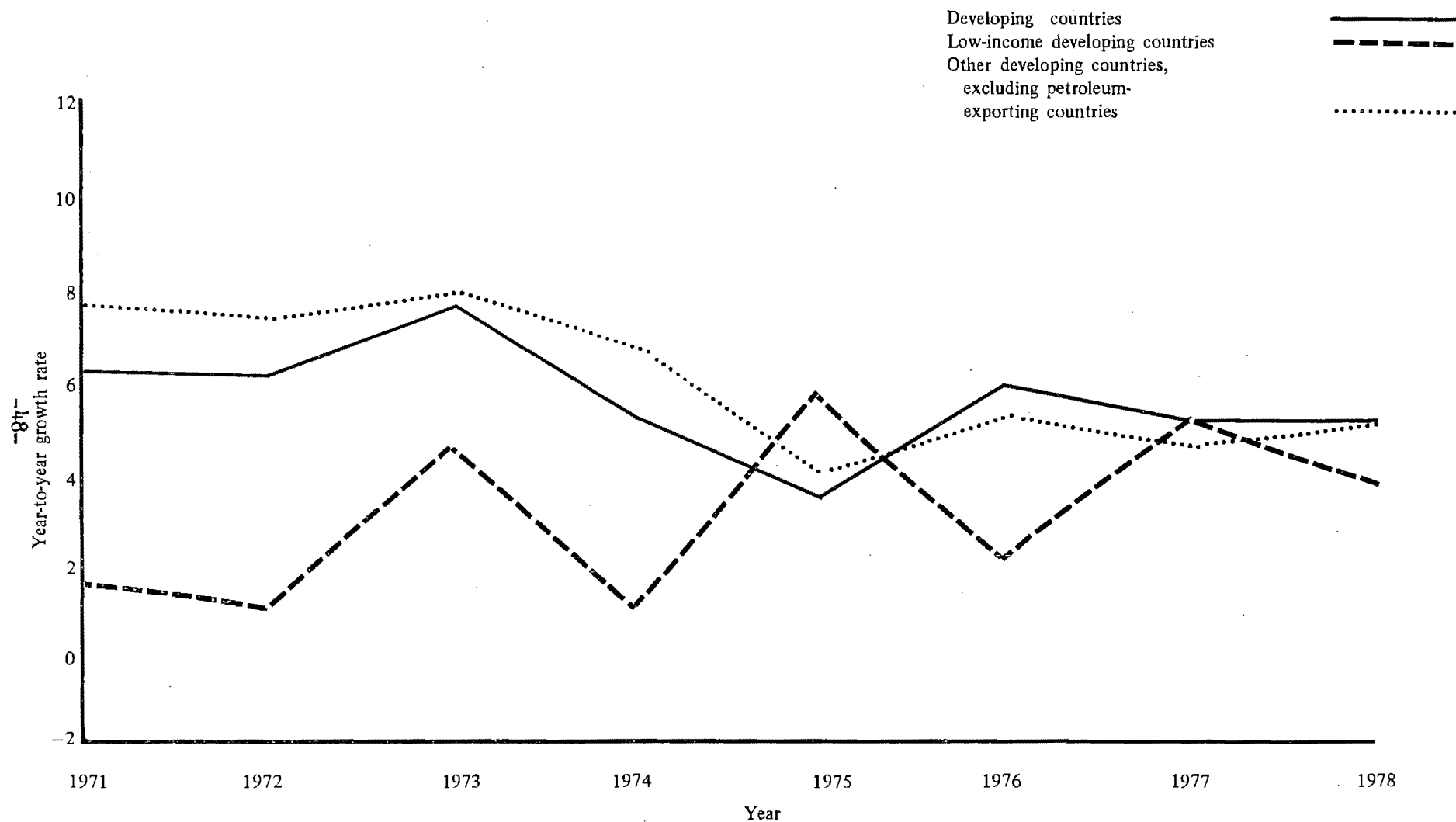
Chart 1. Developed countries: percentage annual rate of growth of gross domestic product; 1971-1978^{a/}



Source: Department of International Economic and Social Affairs of the United Nations Secretariat, based on international and national sources.

^{a/} Measured in 1975 prices. For centrally planned economies, the data refer to net material product.

Chart 2. Developing countries: percentage annual rate of growth of gross domestic product: 1971-1978^{a/}



Source: Department of International Economic and Social Affairs of the United Nations Secretariat, based on international and national sources.

^{a/} Measured in 1975 prices; and excluding centrally planned economies, because of lack of comparable data.

Annex II

LIST OF DOCUMENTS a/

Document number

Title

A. Documents of the Committee

E/AC.54/23	Provisional agenda
E/AC.54/L.101 and Corr.1	Long-term spatial, continental and subcontinental studies and programmes: report prepared by Józef Pajestka, member of the Committee

B. Other texts

1. General Assembly resolutions

34/57	Examination of long-term trends in economic development
34/138	Global negotiations relating to international economic co-operation for development

2. General Assembly documents

A/34/34	Report of the Committee of the Whole Established under General Assembly Resolution 32/174 <u>b/</u>
A/34/44	Report of the Preparatory Committee for the New International Development Strategy (<u>Official Records of the General Assembly, Thirty-fourth Session, Supplement No. 44</u>)

a/ See also the list of documents in the report of the Committee for Development Planning on its fifteenth session (Official Records of the Economic and Social Council, 1979, Supplement No. 7, annex).

b/ To be issued as Official Records by the General Assembly, Thirty-fourth Session, Supplement No. 34.

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