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COMMITTEE FOR DEVELOPMENT PLANNING

REPORT ON THE SIXTH SESSION

5-15 January 1970

1. Page 2, paragraph 6, line 1
For has submitted read had submitted
2. Page 2, paragraph 6, line 7
For resolution 1447 (XLVII) of read resolution 1447 (XLVII) on
3. Page 2, foot-note 4, line 11
For gross domestic products read gross domestic product
4. Page 3, paragraph 8, line 20
For gross national produce of the development market economies from 0.70 in 1960 read gross national product of the developed market economies from 0.79 in 1960
5. Page 3, foot-note 6, line 5
For woule read would
6. Page 9, paragraph 24, lines 22 and 23
After the word "continuous" insert a full stop; for while read While
7. Page 19, paragraph 51, line 1
For optional read optimal
8. Page 21, paragraph 55, line 3
For such economies read the economies
9. Page 32, paragraph 86, line 3
For far productivity read farm productivity



COMMITTEE FOR DEVELOPMENT PLANNING

REPORT ON THE SIXTH SESSION

(5-15 January 1970)

ECONOMIC AND SOCIAL COUNCIL OFFICIAL RECORDS: FORTY-NINTH SESSION SUPPLEMENT No. 7

**UNITED NATIONS
New York, 1970**

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.

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INTRODUCTION

1. The Committee for Development Planning held its sixth session at United Nations Headquarters from 5 to 15 January 1970. The officers of the Committee elected at the first session, are as follows: 1/

Chairman: Mr. Jan Tinbergen

Vice-Chairman: Mr. M.L. Qureshi

Rapporteur: Mr. Josef Pajestka

2. At the opening meeting of the session, the Committee expressed its profound sorrow at the grievous loss suffered as a result of the death during 1969 of two of its members, Mr. Tom Mboya and Mr. Max F. Millikan.

3. It extended a welcome to Mr. J.H. Mensah who was appointed a member of the Committee in October 1969 by the Economic and Social Council at the nomination of the Secretary-General.

4. The Committee adopted the following agenda:

1. Opening of the session
2. Adoption of the agenda
3. Preparation of guidelines and proposals for the Second United Nations Development Decade
4. Implementation of General Assembly resolution 2564 (XXIV) on special measures to be taken in favour of the least developed among the developing countries
5. Arrangements for future work
6. Adoption of the report to the Economic and Social Council

The views, conclusions and recommendations of the Committee on the major topics discussed at the session are set forth in the following chapters.

1/ See, Official Records of the Economic and Social Council, Forty-seventh Session, E/4682.

I. PREPARATION OF GUIDELINES AND PROPOSALS FOR THE SECOND UNITED NATIONS DEVELOPMENT DECADE

5. In accordance with the requests of the General Assembly and the Economic and Social Council, the Committee has devoted considerable efforts to, inter alia, the preparatory work for the Second United Nations Development Decade since its second session, held in April 1967. 2/ It has been greatly helped in this task by the expertise available in the Secretariats of the United Nations and its various bodies and organizations. The pool of knowledge and experience available in the United Nations system has been steadily growing. Co-operation among bodies and organizations of the system has also been strengthened. Those developments have not only yielded benefits for the preparatory work but they also augur well for the many other complex tasks which the system will undoubtedly have to carry out in the coming years.

6. In the report on its fourth and fifth sessions, 3/ the Committee has submitted a provisional set of recommendations relating to the Second United Nations Development Decade. It has now re-examined those recommendations, taking into account the additional information that has become available to it since the preparation of the provisional recommendations. It has been guided by the decisions set forth in General Assembly resolution 2571 (XXIV) on an international development strategy and Economic and Social Council resolution 1447 (XLVII) of the Second United Nations Development Decade. The paragraphs that follow represent the results of the Committee's re-examination.

7. The designation of the 1960s as the first United Nations Development Decade has on the whole had a stimulating effect on thinking and action at both national and international levels. Although the annual rates of growth recorded in developing countries during the 1960s have in general been modest, they have often marked a break from the stagnation and inertia characteristic of the decades preceding the Second World War. Broadly speaking, the productive capacity of developing countries has increased significantly; their investment and saving levels have recorded gains, and, what is perhaps most important, their ability to undertake wider and more complex activities has been steadily on the rise. On the other hand, it has to be emphasized that the gains have not been evenly shared among developing countries. There has been a marked disparity among the rates of growth recorded in different developing countries or regions, and the underlying heterogeneity of economic and social conditions has generally remained unchanged. On the average, developing countries achieved during 1960-1967 an annual rate of increase of about 4.6 per cent in their total gross domestic product but only about 2 per cent in their per capita gross domestic product. 4/ During the same

2/ Ibid., Forty-third Session, Supplement No. 7.

3/ Ibid., Forty-seventh Session, E/4682.

4/ It should be noted that, following the customary practice of United Nations publications, developing countries in the present context comprise developing market economies of Africa, Asia and Central and South America. The geographical coverage has to be borne in mind when making comparisons with data cited in publications of other organizations which usually include in this group a number of countries of Southern Europe. Information available at the time of the preparation of this report about the period after 1967 is far too fragmentary to permit precise estimation of a comparable average. The growth rates cited in paragraphs 7 and 8 above represent revised estimates published recently by the Statistical Office of the United Nations. Data generally refer to real gross domestic products at factor cost.

period, the comparable rate of increase in per capita gross domestic product for developing countries in Africa is provisionally estimated to have been around 1.5 per cent, in Asia 2.2 per cent and in Latin America 1.8 per cent. In many countries, and even in some continents, the average rate of increase in both total and per capita gross domestic product in this period has actually declined in comparison to the rate achieved in the 1950s. There are indeed not many countries which have made truly rapid progress, apart from those which have benefited from exceptionally favourable external conditions (notably petroleum-producing countries and countries which have gained from war circumstances). By contrast, there are many countries where the rate of progress has been very moderate. Particularly the performance of many countries with a low per capita income and large population has been totally inadequate and these constitute the core of the problem. For these countries, the basic preconditions, both economic and social, of accelerated progress are still absent. And in quite a few places, the most valuable energy is being vitiated by political crises, instead of being used for economic and social progress.

8. During the same period, developed countries continued to expand their economies at high rates. Between 1960 and 1967 the developed market economies increased annually their total gross domestic product by 5.1 per cent and their per capita gross domestic product by 3.8 per cent. The centrally planned economies of the Union of Soviet Socialist Republics and eastern Europe increased annually their total net material product by 6.7 per cent and their per capita net material product by 5.4 per cent. 5/ Developed countries have made further progress in science and technology and in reinforcing their trade and co-operation. On the other hand, their contribution towards achieving the objectives of the first United Nations Development Decade has not lived up to expectations. There has of course been improvement relating to international development finance institutions and policies - as reflected for example, in the expanding scale of activities of the World Bank Group, in the growing role of regional development banks, in the "compensatory financing" schemes adopted by the International Monetary Fund (IMF) and more recently in the decisions of the World Bank Group and IMF to provide finance relating to commodity stocks. However, that this improvement has not been commensurate with the spectacular progress in developed countries is attested by the fact that the net flow of financial resources 6/ to developing countries, while rising in absolute amount, declined as a percentage of the gross national produce of the developed market economies from 0.70 in 1960 to 0.70 in 1968, and reduced appropriations

5/ Since the purpose here is to contrast the experience of different groups of countries, the Committee has deliberately cited the relevant data in this particular context for the developed market economies and the centrally planned economies - although their data are available for 1968 - for the same time period as that for which comparable information is available for the developing countries.

6/ Data on net flows refer to disbursements to developing countries and to the multilateral financial and technical assistance agencies, net of amortization. If account is taken also of net interest and dividend payments, the net amounts available for imports of goods and services would be much smaller and in some cases - for example, in Latin America - even negative.

for the final year of the 1960s may imply a further decline. Also, in general, the terms of financing available to developing countries are now harder and the sources of soft lending have shown signs of a decline. A broadly similar picture appears in trade matters. It is true that, thanks to the momentum generated by the growth of developed countries, the export earnings of developing countries have recorded an average annual rate of expansion of 6 per cent during 1960-1968, a rate substantially higher than that achieved in the 1950s. But this has to be seen against the fact that the exports of developed countries have expanded at an even greater rate, with the result that the share of developing countries in world exports which had already shrunk from 31 per cent in 1950 to 21 per cent in 1960 declined still further to 18 per cent in 1968. Moreover, the vigour in the export trade of developing countries has been largely confined to petroleum and some manufactures; the traditional items that bulk large in their export trade have expanded at a much slower rate. In short, despite some progress in opening up the markets of developed countries for exports from developing countries and in expanding new forms of financial and technical assistance, the present situation in these fields leaves much to be desired, and the world market forces continue to affect developing countries adversely.

9. In these circumstances, the Committee proposes that a General Declaration of Intent and Commitments should be adopted by the General Assembly at the time of the launching of the Second United Nations Development Decade at its twenty-fifth session to be held in the autumn of 1970. The General Declaration would proclaim that it was in the common interest of all countries of the world that more rapid progress should be made in the developing countries during the Decade (and not only in respect to the rise in per capita gross product) and enunciate various commitments which would be accepted by both developed and developing countries to further this objective. In addition, since many of these commitments can only be specified in very broad terms in a General Declaration, each individual country would supplement, at the same session of the Assembly, this General Declaration by a unilateral statement in which it would define more precisely what it undertook to do. Wherever possible, countries should accept more far-reaching commitments in these unilateral statements than would be implied by the General Declaration.

10. In the analysis that follows, the Committee has focused attention on what it considers should be the basic objectives of the Second United Nations Development Decade and on a series of national and international measures for achieving the objectives. Along the lines of the analysis, the General Declaration might state certain objectives and measures; details of what each country would undertake to do could be given in its unilateral statement. In this respect, the Committee attaches particular importance to policy measures. The most important of these measures are briefly summarized in section E on concluding remarks. The listing of points in that section is, however, not to be considered exhaustive.

A. Basic objectives

11. The past trends in the economic growth of developing countries cannot be allowed to remain unchanged. 7/ The world community cannot sit idle when a part of its population lives in great comfort and even affluence while much the larger part suffers from abject poverty, and when this disparity is increasing instead of diminishing. Admittedly, transformation of the present situation into a more equitable one cannot be encompassed in the span of a single decade; economic and social development is a long-term process. But the new progress made by the richest part of the world makes it more necessary than ever to help in accelerating the development of the poorest nations above the rates obtained in the past. If this is not achieved during the Second United Nations Development Decade, it would indeed lead to aggravation of world tension. The situation is difficult, but it is also challenging. Many valuable lessons have been learnt from the experience of the first United Nations Development Decade, and what is required now is to make effective use of those lessons so that the Second United Nations Development Decade - and the decades to follow - bring to fruition the hopes of mankind. The world has made immense advances in science and technology; and if the resulting benefits are applied with will and energy, the acute problems of poverty, disease and hunger can be resolved.

12. To improve upon the record of economic and social development requires vigorous efforts and drastic changes in policies. Greater efforts have to be made by developing countries themselves, for economic and social development is primarily a national responsibility; but matching vigorous efforts also have to be made by developed countries which have the resources for improving substantially the international environment within which developing countries can plan and carry out their economic and social development. In addition, it is necessary to strengthen, through appropriate measures, the effectiveness of the United Nations system.

13. An appropriate international development strategy for the 1970s has to consist of a clear enunciation of (a) the principal objectives, (b) the means for attaining the objectives (the action to be taken by both developing and developed countries, and particularly through organizations of the United Nations system) and (c) arrangements for appraisal of progress during the Decade. A main area of concern has to be identification of specific obstacles facing developing countries and the formulation of measures to overcome them. An effective international development strategy has, indeed, far-reaching policy implications. It requires pervasive social reforms and institutional changes in developing countries to create an environment conducive to rapid development. All such measures can be greatly strengthened if international relations are normalized and if agreements are reached to reduce expenditures on armaments so that the resources that become available can be used for solving the gravest economic and social problems faced by the world today.

7/ Studies on economic projections for the 1970s indicate that if international policies are not modified and if internal changes are not made - especially, if it proves impossible to reduce the gap in the balance of payments and mobilize effectively domestic resources - many developing countries will encounter serious difficulties even in maintaining the present rates of growth.

1. Accelerated development

(a) The meaning of development

14. It cannot be over-emphasized that what development implies for the developing countries is not simply an increase in productive capacity but major transformations in their social and economic structures. Their economies are characterized by dualism which has often the effect of making technological and economic advances sharpen the contrast between their modern and backward sectors and widen social and economic disparities. There are inequalities and rigidities in their social structures emanating from systems of land tenure, administrative hierarchies, educational systems and inadequate educational opportunities, external forces, and various traditional practices and customs. Within this framework, an increase in output or income only represents one of the indicators of development. It has to be supplemented by other indicators which bring out more adequately the other dimensions of development. Some of these other indicators are not available, however; for this reason some of the basic objectives can only be indicated qualitatively.

15. It is not merely a question of how to evaluate the progress made in the developing countries hitherto and how to set targets for the future. The issue it raises is of the whole approach to development itself in the context of the developing countries. While it is evident that high rates of growth of output and income have to be realized in these countries in order to eliminate mass poverty, to generate fuller opportunities all round and to finance some of the social measures, the process of development has itself to be viewed in terms of fundamental structural changes and as much with reference to concepts and methods appropriate to planned social transformation as those customary to economic analysis and policy-making. Indeed, for this reason, the distinction often made between economic and social objectives is often not a very meaningful one to draw.

(b) Acceleration of the growth process

16. A fundamental objective should be to accelerate markedly, in relation to the performance of the present Decade, the growth of gross product per head, and to make the fruits of development available to the poverty-stricken masses of developing countries in greater measure than before. Acceleration of growth is now both technologically capable of achievement and socially more essential to aim at in view of the rapid growth of population and the urgency of the need to provide more equal opportunities and the minimum requirements of living to the lowest strata of society in these countries. Although the rate of growth of gross product per head is by no means an adequate indicator of economic and social progress - since it does not fully reflect such major conditions of development as income redistribution or structural change - it is the one aggregative indicator which comes closest to providing some quantitative impression of the underlying change. And it is in this spirit that a norm for the growth of the per capita gross product of developing countries should be viewed.

17. For ascertaining what norm would be appropriate for the 1970s, the Committee has examined at a number of its sessions the technical quantitative work that is being carried out in the Centre for Development Planning, Projections and Policies of the United Nations Secretariat, in the regional secretariats of the United Nations and in the secretariats of several other bodies and organizations of the

United Nations system. Members of the Committee have also had the opportunity, in their normal professional activities, to examine and discuss the rapidly growing volume of technical literature emanating from many research institutions and individual scholars. This aspect of the Committee's work has involved a close review of the trends recorded in the 1950s and the 1960s and, through this review, an appraisal of what can be achieved in the 1970s.

18. The Committee is of the opinion that it should be possible for the developing countries as a whole to achieve during the Decade of the 1970s an average annual rate of expansion somewhere in the range of 6-7 per cent in total gross product and of 3.5-4.5 per cent per capita, provided vigorous and co-ordinated action is taken by all concerned, as indicated in the present report. On the basis of the information made available to it and the assessments made by it, the Committee believes that during the first half of the Decade the aim should be to attain an average annual rate of expansion of about 6 per cent in total gross product and a little less than 3.5 per cent per capita. But in the second half of the Decade the endeavour should be to accelerate these rates to figures higher than 6 per cent and 3.5 per cent respectively. Such an acceleration will be essential if a beginning is to be made in the foreseeable future towards reversing the trends accentuating the disparity in the standards of living of developed and developing countries. At an appropriate time prior to the mid-point of the 1970s, a comprehensive review should be made of the developments during the initial years of the Decade and of the possibilities through determined action during the second half of the Decade. The degree of acceleration in the average rate of growth to be achieved during the second half of the 1970s should be decided on the basis of that review.

19. Obviously, quantitative international norms, such as those just suggested, can only be of an indicative character. In the operational sense, it is up to each country to set its own targets for growth in consonance with its own circumstances. The General Declaration to be adopted by the General Assembly should in fact call upon developing countries to set their operational targets for the next decade as an integral part of national development planning. These targets will naturally vary from country to country. A number of countries which are well placed in terms of resources and the ability to make effective use of them are expected to maintain or accelerate their annual rates of growth that already exceed 6 per cent, the average suggested for the first half of the 1970s. On the other hand, as is implicit in the concept of averages, a number of other countries may significantly fall short of this figure. For certain countries, especially the least developed among developing countries, there will no doubt be great difficulties, since major structural changes will be required, in accelerating the rate of growth to desirable levels; and in such cases special attention should be given by the world community so as to provide help in order to facilitate those changes.

(c) Population growth

20. The Committee wishes to stress that the average annual expansion in the per capita gross product of the order indicated in paragraph 18 has been judged feasible on the assumption of 2.5 per cent average annual increase of population over the Decade - that is, the average rate recorded in recent years. This rate of population increase is significantly smaller than the rate at present forecast for the 1970s. It is therefore implicit in the assumption that measures would be taken to reduce the average birth rate, as a minimum, at an equal pace with the

declining average mortality rate so that population growth is prevented from accelerating. In fact, the consequences of continuing with rates of population growth of anything like the present levels for more than a decade or two would in many countries be very serious. What is called for is the implementation of a population policy which is effectively conceived to influence the main determinants of demographic growth. For this purpose, knowledge concerning the problem and possible remedies should be widely disseminated and facilities of an appropriate character assured. On this basis, it could well be expected that the average birth rate would start declining and would show a substantial reduction by the end of the Decade.

21. The Committee considers that countries should indicate the objectives of their demographic policy and the General Declaration should call on each developing country that suffers from a problem of population growth to introduce effective measures, including, for example, by the end of the Decade, effective services for family planning truly available to at least half the population. In situations where population growth is a problem, other measures such as improvement in the quality and quantity of general education and of health services, and job opportunities for women are all likely to have considerable effects on reproductive patterns. Some developing countries have already taken impressive steps in that direction and made significant achievements. For example, between 1960 and 1968, as a result of substantial reduction in birth rates, the percentage annual rate of increase of population is reported to have declined from 3.3 to 2.4 in China (Taiwan), from 2.6 to 2 in Puerto Rico and from 2.9 to 2.6 ^{8/} in the Republic of Korea. Such experience, although comparatively limited thus far, does lend confidence to the belief that, if appropriate steps are taken, significant reductions in the birth rates and in the rates of over-all increase of population are possible and that targets established for this purpose in the context of national planning are a valuable aid to policy-making. The Committee is fully aware of the delicate and wide-ranging issues involved in making national decisions with regard to population policy, and therefore recognizes that it is incumbent upon each country to formulate its own specific objectives in this respect.

(d) Increases in agriculture, industry and other productive activities

22. To bring about an average annual expansion of 6 per cent in the total gross product during the first half of the 1970s and of a greater magnitude during the second half, it will be necessary to achieve increases in the whole range of economic and social activities that contribute to the gross product. Thus, the progress achieved during the Second Development Decade should be judged not only by an over-all rate of growth of gross product but also by the structural changes brought about for achieving higher and stable rates of growth in the future.

(i) Agricultural production

23. Particularly important will be the contribution of agriculture, by far the dominant activity in most developing countries. The suggested target of average annual expansion in the total gross product implies an annual increase in the demand for agricultural goods of around 4 per cent in developing countries. An annual increase in agricultural output of this magnitude is, in any case, needed

^{8/} The figure refers to 1966.

to feed growing populations and improve the people's intake of food, to ensure growing supplies of raw materials for industry and, concomitantly, to insulate pressures on domestic prices and to ease strains on the balance of payments. On the other hand, since the incomes of a majority of the peoples of the developing world are derived from agriculture, which constitutes the bulk of the gross product, the objectives of both over-all growth and equitable distribution of income require an increase in agricultural productivity. The Committee considers that agricultural output can be increased by 4 per cent per year on the average in developing countries. ^{9/}

24. Recent developments indicate that the technological breakthrough required for achieving an average annual increase of 4 per cent in agricultural output may be on the way. The use of high-yielding varieties of wheat and rice has brought forth remarkable results in a number of developing countries. Some of the chronic food deficient countries have even indicated that they expect to become self-sufficient in supplies of foodgrains in the near future. Such promising developments are indeed welcome, and steps need to be taken to inject this "green revolution" all over the developing world. However, the new mood of optimism must not be allowed to give way to complacency. A great deal of work still remains to be done before it can be said that an agricultural revolution has really taken place in developing countries. The promising new developments, in fact, have also brought to the fore important considerations which require urgent attention. The use of high-yielding varieties of wheat and rice calls for a considerable expansion in the supply and sophisticated use of complementary inputs, such as irrigation and fertilizers. In short, improved agricultural practices need to be adopted ensemble - not in a piecemeal and haphazard fashion. A particular variety may not be suitable for every climate or every soil. Developing countries should constantly endeavour to breed varieties that are especially suited to their circumstances; this should include not only foodgrains but also agricultural raw materials. Even where new varieties have been successfully adopted, the results may help to meet the needs for only a few years; to meet the challenge beyond that point, research should be continuous while the new high-yielding varieties of cereals are likely to be the dynamic factor in the first half of the Decade, the foundations need to be laid for another stage in which more efficient patterns of production will emerge, thereby releasing land and labour for other agricultural products. These changes in the composition of production would in turn facilitate diversification of diets as called for in the development process visualized over the Decade.

(ii) Industry and other activities

25. For accelerated development during the 1970s, the industrial, construction, transport, communication, commercial and other productive activities will have to expand at a rate substantially faster than the rate of increase in agricultural output, for it is the growing momentum of non-agricultural activities that will help to boost the over-all average annual rate of growth to suggested levels during the 1970s and also help to spread the fruits of modernization. Industry and construction, in particular, will have to serve as the sheet-anchor of the modernization process.

^{9/} The suggested target for agriculture is broadly in line with the estimates made by the Food and Agriculture Organization of the United Nations (FAO) in connexion with the Indicative World Plan for Agricultural Development. Measured in value-added terms, the FAO estimate is 3.7.

26. The average annual rate of increase in the manufacturing output of developing countries will have to be lifted to 8 per cent during the first half of the Decade in order to achieve an annual increase of 6 per cent in the gross product, and to more than 8 per cent during the second half if the tempo of development is to be accelerated still further. The precise magnitude of increase during the second half of the Decade should be determined as part of the comprehensive review mentioned earlier. 10/

27. In seeking rising levels of manufacturing activity, the question of an appropriate development strategy will need to be accorded careful attention. Developing countries have commonly concentrated on establishing and expanding industries that replace imports of consumer goods. Up to a point such a pattern is only to be expected everywhere. There are many developing countries where industrialization is still at an early stage; these countries should find it possible to reap the benefits of import substitution in a wide range of consumer industries. In a number of developing countries, on the other hand, the scope for such simple import substitution has become limited. At the same time, the growing requirements of intermediate goods, machinery and heavy equipment in order to raise levels of capital formation have put heavy strains on the available supplies of foreign exchange. There is need, thus, to build intermediate- and capital-goods industries in developing countries as an essential part of industrial development strategy. In this respect, economic co-operation among developing countries is urgently required; for often such a course of action may be feasible only in unison. It also needs to be emphasized that the expansion of import-substituting manufacturing output represents but one, though a crucial, aspect of industrial strategy. Increasingly, it is a growing export trade in manufactures that the developing countries have to seek. Industrialization for exports is, of course, a far more formidable task. This requires not only liberalization of trade policies on the part of importing partners but also systematic industrial planning by developing countries to produce economically and to create exportable surpluses of suitable industrial goods. It should be recognized, of course, that import substituting consumer industries, domestic capital goods industries and export-promoting industries are not mutually exclusive alternatives. Often a simultaneous development of all three types of industries may well be the most effective strategy of industrialization. But the relative role of each will vary with the prevailing economic circumstances of a country, including the stage of industrialization already reached.

2. Better income distribution and other social objectives

28. The ultimate purpose of development is to provide opportunities for a better life to all sections of the population. For this, the glaring inequalities in the distribution of income and wealth prevailing in developing countries will have to be eliminated. Particularly important will be the elimination of the mass poverty and social injustice widely prevalent in these countries, including consideration of the disparities between regions and between groups. New employment opportunities, greater supplies of food and more nourishing food, and arrangements for better education and health facilities will have to be provided for the growing population, especially for the lower strata of society and the young who represent the promise for a better future. Such elements are both end-products and instruments of economic and social change. While a sustained increase in the per capita gross product is a necessary condition for strengthening

10/ See paragraph 18 above.

the process of social change, there is no doubt that, in addition, appropriate policies will have to be adopted for bringing about improvements in the areas just mentioned.

(a) Better distribution of income and wealth

29. On grounds of both social justice and efficiency, due attention should be paid to the consequences of continued high degree of concentration of economic power in both the traditional and modern sectors of developing countries. It is a fallacy that more rapid growth and reduction of inequalities in income and wealth are necessarily competing elements. Productivity of land has been found in many countries to be higher in small-sized farms than in very large ones; yet land tenure systems and the risks associated with leasing out and leasing in of land lead to the continuance of large-sized holdings, and result in land not being used intensively enough, while there is under-employed labour in farms that are too small. In the modern sector, concentration of economic power is often reflected in the pre-emption of large areas of industry, commerce and finance by a few business houses, and this has the effect of stifling competition and the growth of enterprises with a wider social and economic base. It must also be recognized that social and political power derived from such economic concentration tends to be used very often in pursuit of objectives that are at variance with those of development. Economic development programmes should therefore not only be appraised from the viewpoint of income distribution but take into account these larger implications of concentration of economic power. Through an appropriate combination of measures - not only those that directly impinge on concentration of economic power but also those that help improve employment, education, health and housing (as is discussed in the following paragraphs) - a better distribution of income and wealth can be attained without endangering efficiency and growth incentives; in fact, it can energize the whole nation and speed up the growth process.

(b) Employment

30. Throughout the developing world there is a vast amount of unemployment and under-employment. The problem is particularly acute among young people who form a large proportion of the population, and it threatens to become aggravated. Steps are therefore urgently needed to expand employment opportunities. Additional employment achieved through appropriate methods contributes to production and growth. In addition, it makes for a more equitable distribution of income; satisfies the human needs for useful and creative activity and for participation in the tasks and benefits of economic development; provides more people with the opportunity for acquiring skills and the habit of work; and for all these reasons contributes to a reduction of political and social tensions.

31. There is at present no adequate statistical basis for the formulation of a quantitative international norm for employment. But countries should, wherever possible, set national employment targets, or at least define some objectives of their employment policy in quantitative terms, as for example the number of jobs to be provided in public works. Clear objectives should be defined relating to each of the principal categories of unemployed and under-employed persons in rural and urban areas. Vigorous efforts are needed to improve labour force statistics, particularly by means of labour force sample surveys. This is

essential not only for the formulation of quantitative employment objectives, but also for the selection of policy measures. The International Labour Organisation (ILO) has suggested that one objective of the Second Development Decade might be to ensure that by 1980 at least half of all developing countries are carrying out regular well-designed labour force sample surveys. 11/ An effort to set an indicative international norm or norms should be made as soon as the statistical basis for doing so has improved sufficiently.

(c) Education

32. Education - encompassing as it does not only the imparting of knowledge in the ordinary sense but the development of a whole new scientific and cultural outlook - is a powerful instrument for economic growth. It is also inevitable that the pressure to secure education will continue to mount in developing countries, for it is through education that people seek to improve their lot. However, investment in education is costly and yields results only over time. But an educational programme could be so designed as to increase productivity substantially in the short run and provide incentives for achieving higher rates of savings all around. What is most important is that educational systems should be attuned to serving development needs. The aims should be to prepare the younger generation, starting with children of pre-school age, for the important tasks ahead. Curricula should be revised and new approaches initiated in order to ensure expansion of skills in line with the rising tempo of activities and the accelerating transformations brought about by technological progress, and to increase the efficiency of educational expenditures. A high priority should be accorded to adult education. Particular attention should be given to agricultural education, including in this context the plans under consideration in the United Nations Educational, Scientific and Cultural Organization (UNESCO). The importance of "consumer education" should also be borne in mind. Increased international co-operation will be needed to improve educational technology in developing countries.

33. Although it is not easy to calculate the educational requirements for the 1970s in order to achieve during the Decade a given average annual rate of growth of the gross product - the effects of education range over a period much longer than a decade - the work has been making progress. In this connexion, the UNESCO has proposed that, by 1980, developing countries should aim at achieving 100 per cent enrolment of the relevant age group in primary (first level) schools. For second and third level education, it has suggested that the corresponding percentages for relevant age groups should be, respectively, 23 and 1.5 in Africa, 36 and 5 in Asia, and 46 and 6.4 in Latin America. It has been estimated that the cost of educational programmes, expressed as a percentage of the gross national product, would rise between 1965 and 1980 from 4.7 to 6 in Africa, from 3.1 to 4.3 in Asia and from 4.2 to 4.7 in Latin America. 12/

(d) Health

34. Like education, standards of health require serious attention in developing countries. A minimum programme of health facilities should provide the

11/ "International development strategy for 1970s: Suggestions by bodies and organizations in the United Nations System" (A/AC.141/L.18).

12/ A/AC.141/L.18/Add.2.

infrastructure of institutions and personnel through which the basic necessity for preventing and curing disease and for the promotion of health can be made available. It should also provide an organized system of education and training of the health team. The health programme should cover the many aspects of health care and promotion including basic health services and their associated maternal and child health and family planning components, as well as the intensification of efforts for the important and vulnerable section of the population composed of children and youth. Provision should also be made for the control of communicable disease, environmental improvement, activities related to better nutrition, together with research in the application of science and technology throughout the health sector. The objectives suggested are in line with those established by the World Health Organization (WHO).

35. The estimates made by the WHO indicate that the implementation of the objectives established by it would require capital investment of about \$7 billion and recurrent expenditure totalling nearly \$9.75 billion by national and international (both bilateral and multilateral) sources. ^{13/} As in education, it is a case of balancing the costs involved against the benefits that can be realized over a period. For resolving the difficult problems of manpower in health services, international co-operation will be essential.

(e) Housing

36. Improvement in housing and community facilities is not only valuable by itself but is also a means for raising standards of health, education and productivity as well as for eliminating the most glaring inequities evident in developing countries. These elements constitute indirect effects which have often been overlooked but are really as important as the direct effects, whose value is represented by the amount of rent paid. Priorities with regard to better housing and community facilities for low-income groups and to remedy the ills of rapid, unplanned and uncontrolled urbanization are higher therefore than has been thought in the past on the basis of purely economic criteria.

37. Improvement in housing and community facilities should be sought partly in the establishment of new townships at some distance away from the biggest centres of population so as to halt the continuation of urban agglomeration. The new townships should at the same time be limited with planned industrial development. Low-cost housing can be intensified through the exploitation of local materials and the use of labour-intensive techniques, often on a self-help basis - thereby contributing to employment as well. Also the advantages of mass production of houses can be reaped by using prefabricated parts. The land for such housing should preferably be publicly owned or controlled by community to prevent speculation. Notwithstanding the economies that can be made in various ways, improvement in low-cost housing requires considerable financial means. Part of the means may be found through taxation of luxury housing and by levies on land speculation, and another part through co-operatives and appropriately worked-out savings schemes as inducements for the prospective inhabitants of new dwellings. International financial support would be justified, especially if well-designed long-term programmes for housing exist.

^{13/} A/AC.141/L.18/Add.1.

3. Consistency and priority

38. At the present state of knowledge, the intricate links permeating the process of development are not all amenable to quantification on the basis of a common framework. Fortunately, through national and international research efforts, the frontiers of knowledge about these links are being gradually pushed forward. Valuable work is being done in the United Nations and in its various bodies and organizations, including the United Nations Research Institute for Social Development. This work needs encouragement and support. On the basis of information made available by these organizations, the work carried out in the Centre for Development Planning Projections and Policies, and summary checks made by some members of the Committee, the Committee considers the aforementioned objectives broadly consistent, both internally and with the suggested target for the over-all rate of growth.

39. While the research work just mentioned is both suggestive and helpful for policy-making, it cannot be expected to yield hard and fast rules. In a sense, each society is unique, and it alone must bear the responsibility for shaping the contours of its development. The main point to remember is that decisions have to be made with regard to a number of interrelated objectives - decisions which go beyond choosing a particular rate of growth of the gross product. At times the decisions are bound to pose difficult choices for policy-makers, but they cannot be evaded. In principle, priority should be given to those elements which are conducive to acceleration in the rate of over-all growth. However, there will be cases necessitating a sacrifice in the pace of growth in order to prevent social injustice. There will also be cases where the immediate impact on the rate of growth is uncertain but the long-run necessity is clear; as already mentioned, education is typically such a case. ^{14/} On the other hand, it should be recognized that without an adequate rate of growth the action for transforming the society will be jeopardized.

B. National means and measures

40. It is axiomatic that the basic objectives of the Second United Nations Development Decade will not be attained if appropriate measures are not adopted to find the means for achieving the objectives. This rests primarily on national policies and measures. There is no substitute for each country developing its own economic and social forces for progress. Every development strategy has, therefore to concentrate on these forces and on the international co-operation needed to make them effective. In particular, foreign aid and activities cannot substitute for national efforts and strong domestic measures. However important, foreign aid and activities can play only a supplementary role.

41. To accelerate economic and social progress, national development strategies should rely on:

- (a) Mobilization of the internal efforts and internal development factors;
- (b) Activation of broad masses of population and assurance of satisfaction of their primary needs and aspirations;
- (c) Active planning: under conditions of underdevelopment, this entails changes in structures and institutions conducive to development.

^{14/} See paragraph 33 above.

The international community should see to it that the countries following this sort of strategy do not encounter any obstacles in international environment.

1. Institutional and administrative reforms

42. Developing countries should adopt vigorous policies for transforming traditional attitudes and for creating an institutional environment conducive to rapid economic and social progress. Political, legislative and administrative reforms should be undertaken to eliminate outmoded institutions and regulations, including undue privileges that are no longer bearable. The efficient operation of public administration is a key element for development. A national bureaucracy that is unable to keep pace with a country's development requirements often becomes an impediment to efforts and initiative in many areas of activity. Indeed, there is an urgent need for a thorough overhauling of general administration in many developing countries. Furthermore, Governments of developing countries should constantly seek to galvanize the energies of individuals and groups so as to tackle the obstacles of development as quickly as possible. People in various walks of life should be involved in the formulation and implementation of development plans. It is particularly important to strengthen the institutional links between the public and private sectors of the economy so as to achieve a rapport and close collaboration in meeting the challenge of development. As stressed earlier, the expansion of education, health and other social amenities should serve not only as an important objective but also as a major instrument for speeding up development. The provision of social amenities as well as a better distribution of income should be made to act as a motivating force.

2. Measures for mobilizing domestic financial resources

43. In order to bring about acceleration in the tempo of production of the magnitude indicated earlier, ^{15/} it is necessary for developing countries to do their utmost to mobilize financial resources for development. Appropriate measures will have to be taken to ensure that total consumption increases at a rather slower rate than the total gross product so that a rising proportion of the gross product can be saved for financing investment. There is considerable imprecision in the estimates of saving in the developing countries, partly on account of vagueness in the concepts used. It seems likely that gross domestic saving in these countries is already around 15 per cent of the gross domestic product. If this is correct, they should aim at increasing this ratio to about 20 per cent by the end of the Decade. Vigorous measures should be adopted for expanding and canalizing both public and private components of domestic saving. Through the rational modification of existing rates and the imposition of new taxes, within a development-oriented framework, the tax revenue should be made to increase significantly faster than the gross product of the country. Indeed, the ratio of tax revenue to gross product already reached and the speed at which this ratio rises in a developing country should be a crucial test of the country's commitment to development, provided the tax policy serves not only as an instrument for mobilizing financial resources but also, as stated earlier for bringing about a better distribution of income and wealth. Taxes on large incomes and on large

^{15/} See paragraph 18 above.

land holdings and other forms of wealth should be some of the prominent avenues to achieve this goal. It should be possible to devise a progressive tax on wealth components which can be assessed relatively easily, such as rural and urban land and buildings. Gradually such a tax can be refined by the introduction of more elements and by differentiating between types of land according to its quality. Also important from the viewpoint of better income distribution are indirect taxes which differentiate between types of consumer goods ranging from high rates on luxuries to exemption for necessities. All such tax measures should be reinforced by firm action to ensure full collection of revenue. Tax evasion not only aggravates inequality by penalizing the law-abiding citizens but also hampers development by withholding means from the public sector of the economy. Steps should be taken at the same time to ensure that the current expenditure of government does not rise unduly fast and that an expanding margin of current revenue over current expenditure is available for productive investment purposes. Measures need also to be taken to improve the efficiency of public enterprises; this would, among other things, require the maximum managerial autonomy being given to such enterprises as also incentives for raising productivity of labour. Public enterprises need to be given a new mandate to earn larger profits than they now do (except perhaps in particular circumstances which might require their forgoing such opportunity temporarily in the larger social interests as in state trading). However, such increased freedom of action must be conditioned by strict controls to prevent situations in which public enterprises are permitted to incur losses which have to be met out of public funds. Every effort should also be made to mobilize private savings through financial institutions (including insurance), thrift societies, post office savings banks and other saving schemes and through expansion of opportunities for saving for specific purposes such as education and housing.

3. Measures for agricultural expansion

44. For expanding and modernizing agriculture (including animal husbandry, fisheries and forestry) - the dominant sector in most developing countries - an array of measures is necessary. In many countries, the land tenure system has to be reformed, not only for the sake of social justice, including fuller employment and the creation of a greater sense of security, but also for improving farm efficiency. As pointed out earlier, ^{16/} often smaller-sized farms, which are cultivated by owners or by tenants with secured occupancy rights, tend to have higher output per hectare than larger-sized farms where absentee-ownership is the prevailing rule. Also necessary for expanding agricultural output are measures for providing adequate irrigation, fertilizers, better-quality seeds, suitable agricultural implements, technical knowledge, rural credit, plant protection and storage and marketing facilities. Provision of credit on the scale required for the smaller farmers is clearly linked with reform of the structure of land holdings, improvements in market structure that ensure opportunities for sale of produce at guaranteed prices and changes in the criteria for advancing credit so as to place greater emphasis on production potential in each case rather than on the assets owned. A piecemeal effort with regard to measures for agricultural expansion has often been one of the critical stumbling blocks to progress. What is required is a co-ordinated approach on the part of the Government to ensure that the farmers can secure necessary inputs of agriculture. Of equal importance for both production and income distribution are measures for regulating agricultural markets. Steps

^{16/} See paragraph 29 above.

should also be taken to provide equitable and remunerative prices to farmers. In some aspects of agricultural activity - as well as of retail trade - co-operatives may play a stimulating role to develop initiative. The Committee has noted with interest that, simultaneously with the launching of the Second United Nations Development Decade, a Co-operative Development Decade is to be inaugurated by the International Co-operative Alliance as a way of stressing the role co-operatives can play.

4. Measures for industrial expansion

45. Parallel steps should be taken to promote industry and related activities which are essential to the rapid expansion and modernization of the economy. In varying degrees, developing countries have succeeded in setting up a wide range of consumer goods industries, and thereby in reducing their dependence on imports. It is only logical that, through appropriate tax and import policies and through the provision of such inputs as finance, the process of industrial expansion should be given further momentum. Care should be exercised, however, to prevent unduly high-cost structures from being erected. Within the consumer goods industries, the emphasis should be on the production of goods that benefit the masses rather than on luxury articles. As the process of development has to be viewed in its entirety, measures should be devised to ensure adequate expansion of the industries that utilize domestic raw materials, that supply essential inputs - such as fertilizers and chemicals - to both agriculture and other industries, and that help to increase export earnings. As emphasized earlier, ^{17/} a stage has been reached in many developing countries at which increasing attention has to be given to the expansion of engineering and other capital goods industries; without such expansion, the foreign exchange bottle-neck will substantially hamper the process of development. ^{18/} An important policy objective should be to prevent the emergence of unutilized capacity. Vigilance should be shown to ensure that inadequate expansion in such vital areas as transport and energy is rectified so that it does not impede the progress of development.

5. Export policies

46. In most developing countries, the great bulk of external resources are earned through exports of their own goods and services, and appropriate policies should be formulated for increasing these during the Second United Nations Development Decade. The policies should include the maintenance of a realistic exchange rate, prevention of excessive internal demand, tax measures designed to encourage exports, simplification of import and domestic controls so as to favour exports, direct assistance in the exploration of external markets and promotion of conditions to attract foreign tourists. Through appropriate measures, encouragement should be given to the selection of industries and technologies which are likely to have eventual competitive strength in the export markets; to reductions in the costs of production and gradual and scheduled removal of protection for domestic industries to make them competitive; to the imposition of export commitments on specified domestic and foreign-owned private industries; and to improvements in quality and prices of exportable primary products.

^{17/} See paragraph 27 above.

^{18/} See also paragraphs 91-93 below relating to regional economic co-operation.

6. Employment policies

47. In line with the objectives suggested earlier, 19/ fiscal, monetary, trade and other governmental policies should be scrutinized from the viewpoint of their impact on both employment and growth. Commonly a strategy for employment promotion needs to combine a number of elements. First, increased investment is as important for employment as it is for growth. Secondly, it is necessary to examine all opportunities for raising the level of employment by bringing about a more labour-intensive product-mix - which requires appropriate structures of international trade, taking into account, inter alia, the expansion of labour-intensive manufactures - and a more labour-intensive technology-mix. Thirdly, within this general framework, special attention needs to be given to rural development and rural employment opportunities, both agricultural and non-agricultural. Fourthly, in the industrial and service sectors special efforts are needed to ensure that highly capital-intensive techniques are confined to uses in which they are clearly cheaper and more efficient in real terms than more labour-intensive techniques would be; efforts are also needed to encourage wider resort to shift work. Fifthly, the possibilities of organizing labour-intensive public works to strengthen the infrastructure or to improve housing should be fully exploited. Sixthly, skill shortages that may impede the growth of employment as well as of production need to be identified, and appropriate training provided. Finally, the influence of Governments over the level and structure of wages and other incomes needs to be exercised in a way that takes account of employment requirements.

7. Application of science and technology

48. Even at the present stage of development of the economically less advanced countries, the inadequate capability to apply science and technology has become a serious obstacle to further progress. This problem will become still more acute during the Second United Nations Development Decade. In many developing countries, further industrialization will be impeded unless adequate efforts are made to extend substantially research capacity in technology. Apart from the valuable assistance that the international community can and should provide for this purpose, 20/ developing countries themselves should devote considerably larger resources than they have in the past to bring about technological changes conducive to rapid development. For example, one proposal currently under consideration by the Advisory Committee on the Application of Science and Technology to Development suggests that developing countries should aim at raising their expenditure on research and development, expressed as a percentage of their gross national product, from the present level of about 0.2 to 0.5 by the end of the 1970s. 21/ While pure research is essential to the development of applied research, it is important to orient the over-all research programme to the development of technologies that are in line with the circumstances and requirements of the country. The bias of educational and research institutions should be clearly in this direction.

19/ See paragraph 30 above.

20/ See paragraphs 89 and 90 below.

21/ "World Plan of Action for the Application of Science and Technology to Development: Draft of introduction, statement prepared by a group of consultants" (E/AC.52/L.68).

Agricultural research and technology, as well as social problems connected with economic change, need particular attention. Specialized research institutions in relevant areas need to be organized in developing countries themselves, involving not only collaboration between scientists and technologists of developed and developing countries but also training programmes for advancement of scientific and technological work oriented towards the problems of these countries. The scope for international co-operation here is considerable. This should also have as one of its objectives the reduction in the "brain drain" faced by developing countries.

C. International means and measures

49. While, ultimately, it is for developing countries themselves to do their utmost to accelerate their economic and social progress, their efforts will be frustrated if the necessary international policies are not adopted to create an environment conducive to supplementing and strengthening these efforts. It is important that economically advanced countries strive to maintain sustained expansion of their own economies. Developed countries should take deliberate action to maximize such effects and so contribute to a reduction of the prevailing disparities between people in different countries. These developed members of the world economy should undertake wide-ranging measures for providing impetus to the progress of developing countries, thereby helping to build a sound international economic order in which all countries reinforce one another's efforts. The measures should include increase in the export earnings of developing countries, expansion of genuine financial assistance to these countries and increased availability of know-how and greater access to the fruits of science and technology.

50. The Committee feels that, in the context of international trade and financial co-operation policies, there is a need to refine the two-fold classification of countries as developed and developing. In such matters as granting of preferences by developed countries to developing countries and providing them with financial resources, it seems inappropriate to have a sharp demarcation line between the two country groups. For, were such a demarcation line maintained, it would mean that at a point of time in the future a country would be considered to have shifted suddenly from the developing to the developed country group, and as such would experience a set-back by virtue of the new obligations it was suddenly asked to assume in place of the assistance previously received. It seems desirable to introduce an intermediate group of countries which would not have to undertake obligations towards developing countries but at the same time would no longer, as a rule, receive assistance or preferences. The Committee has given some thought to the complex problems involved in defining such a group of countries. It believes that a study needs to be made to determine what variables or characteristics would be appropriate for this purpose. The work under way in a number of organizations may well yield fruitful indicators. The Committee has also given some preliminary thought to questions relating to the least developed among developing countries. 22/

51. There exists a need for further research in the field of optional international division of labour to assist individual countries in their choice of production and trading structures and to permit the international community to base its

22/ See paragraphs 108-109 below.

policy on more scientific grounds. Research in this direction should be undertaken jointly by the bodies and organizations in the United Nations system dealing with industrialization, employment and trade, especially the United Nations Conference on Trade and Development (UNCTAD), the United Nations Industrial Development Organization (UNIDO), the ILO and FAO. At least the following factors should be included in these studies: transport costs, requirements of labour of different qualifications and of capital; economies of scale and external effects.

1. International trade

52. A rapid expansion in the exports of developing countries is crucial for enlarging their ability to import development goods, the demand for which tends to rise faster than their domestic production. Available studies suggest that it is essential to devise measures for increasing annually the capacity to import of developing countries by at least 1 per cent more than the desirable rate of growth of their gross product. Thus, in order to attain, during the first half of the 1970s, the basic objective of an annual average rate of growth of 6 per cent of the gross product of developing countries, appropriate policies should be formulated for increasing their capacity to import by a minimum of 7 per cent per annum. In order to achieve an average rate of growth higher than 6 per cent during the second half of the Decade, 23/ a correspondingly greater effort will have to be made for expanding import capacity as well. Adequate expansion in exports is essential not only to enhance the ability to import development goods but also to meet external debt-servicing requirements. Where the high level of existing external debt has become a hindrance to further borrowing, apart from such measures as debt rescheduling, 24/ the solution should be found in the growth of export earnings. Greater expansion in export earnings can even be a substitute for aid flows from abroad. This is particularly relevant for countries whose growth is hampered by foreign trade bottle-neck and which have large foreign indebtedness. For these countries expansion in export earnings plays a decisive role for their further economic development.

(a) Measures by developing countries

53. In the first place, the ability to expand exports depends on the measures to be taken by developing countries themselves to ensure that adequate supplies of the right kind of goods are available at competitive prices, and that businessmen have an adequate incentive to seek out foreign markets for them and to deliver them punctually and in good condition. The policies needed at the national and international levels to secure this result have been outlined in paragraph 46 above.

(b) Measures by developed market economies

54. However, a heavy responsibility rests on the developed market economies which control the markets for the bulk of the exports of developing countries. As a fitting follow-up to the Kennedy Round - which was concerned chiefly with the reciprocal reduction of tariffs on goods that move largely between industrial countries - each developed country should undertake further liberalization of

23/ See paragraph 18 above.

24/ See paragraph 76 below.

imports, concentrating this time on the goods obtained mostly from developing countries. A programme should be established for the progressive removal of the remaining impediments - protective customs duties, revenue duties and fiscal charges, quantitative restrictions and certain administrative practices - which discriminate against or limit the consumption of goods imported from developing countries. Further, developed countries should conduct a continuing and systematic review of their trade policies during the Decade with a view to removing any additional impediments that may arise.

55. Undoubtedly, changes will have to be made by developed countries in their domestic economic structures to accommodate shifts of resources from one line of production to another. It is true that, in certain cases, such economies of developed countries are sufficiently strong, competitive and flexible to absorb such shifts, which would in fact make it easier for these countries to expand their economies. Indeed, it is in their own long-term interest that they should import commodities that can be produced more cheaply by developing countries. For most commodities, therefore, it should be possible to eliminate impediments to imports from developing countries during the next Decade. In view of the urgency of the problem of the developing countries, the time span chosen should be as brief as possible. Since the subject has been studied already for several years early policy action for implementation is now called for. There is sufficient evidence that the time span needed for such an adaptation, in most cases, is of the order of five years. During such a period the necessary retraining of part of the manpower involved will be possible. A timely and decisive move by developed countries will contribute substantially not only to the required increase in the export earnings of developing countries but also to a more rational system of international division of labour.

56. In accordance with this general principle, a beginning should be made without delay in a number of cases. Developed market economies should at least limit and even in some cases gradually reduce their production of high-cost agricultural products by a few per cent annually, such as beet for the production of sugar, which is at present heavily protected to the detriment of developing countries. As regards manufactures where the arguments for unstable markets do not apply, the existing forms of special protection which discriminate against imports from developing countries in comparison with other imports should be gradually eliminated by the middle of the Second United Nations Development Decade. In addition, tariffs on manufactures made from raw materials of a kind which come predominantly from developing countries should be progressively reduced to the level of the tariff on the raw material in question. The system of preferences proposed by the UNCTAD constitutes an appropriate contribution to the elimination of impediments to trade: preferences should be granted in 1970 for most of the manufactured and semi-manufactured products including processed agricultural products originating in developing countries, of a size which will have a real impact on the course of trade.

(c) Measures by centrally planned economies

57. The expansion in exports from developing countries to the centrally planned economies has been a welcome feature of recent years. During the Second United Nations Development Decade, the centrally planned economies should create conditions for an increase in imports from developing countries as a minimum at a rate in

conformity with the expansion of exports of those countries corresponding to the required annual increase in their capacity to import mentioned in paragraph 52 above. Also in line with their development plans, the centrally planned economies should indicate the percentage increase they intend to make in their imports from developing countries during the Decade. The pattern of these imports should be such as to further the cause of industrialization and modernization of agriculture in developing countries.

(d) Problems of primary commodities

58. In the case of a number of primary commodities, market conditions tend to be highly unstable. This is an area where the Committee considers market regulation in the form of commodity arrangements not only normal but necessary. This should be pursued in a broad policy framework keeping in mind that the over-all aim is to improve the import capacity of the developing countries through a more rational organization of the access of these countries' products to the markets of the developed countries.

59. The Committee therefore attaches particular importance to concerted efforts to improve market prospects for primary commodities, which often bulk very large in the exports of developing countries, especially the least developed among them. Even on the assumption that the 1 per cent assistance target is fulfilled by 1972, as suggested in paragraph 71 below, the potential balance of payments gap of developing countries corresponding to the suggested target rate of growth of the gross product ^{25/} cannot be closed without a radical improvement in exports of primary products. Such an improvement is also a prerequisite of the attainment of the 4 per cent rate of growth of agriculture mentioned in paragraph 23 above.

60. Fluctuations in world market prices create severe problems of instability in the foreign exchange earnings of exporting countries. Appropriate international measures should, therefore, be taken to improve the organization of markets for these commodities and some of the processed products derived from them with the aim of achieving stable levels of prices, remunerative for producers and equitable for consumers, due account being taken of the necessity to avoid, in the long run, an imbalance between supply and demand.

61. The Committee is aware that the action to be taken must be adapted to the particular properties of the commodities concerned, as well as to the market and other conditions affecting them. Through the establishment of export quotas, the use of buffer stocks or control over production, some such primary commodities are already covered by international commodity agreements. However, the number of such agreements has remained quite small. As a part of the strategy for the Second United Nations Development Decade, the interested countries should, as proposed in resolution 16 (II) of UNCTAD, extend such agreements beyond the commodities now covered, namely, wheat, tin, coffee and sugar. Agreements on cocoa and tea, in particular, should be concluded no later than the end of 1971. The scope of the sugar agreement should be enlarged through the participation of the European Economic Community and the United States of America.

62. Economically advanced countries should provide additional support to commodity agreements by contributing to the financing of buffer stocks. In this connexion, the decisions taken by the IMF and the World Bank Group to provide financial

^{25/} See paragraph 18 above.

assistance to member States are welcome. Also welcome is the decision of the World Bank Group to assist in facilitating the establishment and operation of appropriate international commodity arrangements, which includes having due regard to the extent to which projects it considers for financing might have adverse effects on such arrangements.

63. Where full-scale commodity agreements are not feasible, other types of practical but partial action are conceivable and should be undertaken. Mention has already been made of the need to reduce high-cost production in developed countries of commodities that can be more efficiently produced in developing countries. While it would not be appropriate to check the development or production of synthetic materials where these offer technological advantages, it is important to deal with the repercussions on developing countries. Special recognition should be given to the difficulties encountered by producers of natural goods which face competition from synthetic materials. In the first place, wherever synthetics are tending to displace imports of natural products from developing countries all tariff and non-tariff barriers against such imports, whether in primary or processed form should be eliminated so as to avoid giving artificial stimulation to the synthetics. Assistance should also be given in improving the competitiveness of the natural products and in research and development efforts to improve productivity and find new uses. And where appropriate and feasible the production of the synthetic should be associated in the elaboration of commodity arrangements covering the natural product.

64. Diversification programmes are not only important in enlarging the export potential of developing countries but should also be an integral part of any production control arrangement. Such programmes should seek to augment and stabilize the contribution of locally produced food supplies to consumption in most food deficit countries and to promote exports of primary commodities in as highly processed a form as possible and efforts should be made to shift the pattern of output and exports of these countries to commodities for which the growth of world demand is relatively rapid. Above all, particularly strong efforts are required to bring about a growing share of manufactures and semi-manufactures in the exports of developing countries. The economically advanced countries and the international organizations should assist and encourage the efforts of the developed countries along these lines with financial, technical and research assistance.

(e) Trade among developing countries

65. Mutually beneficial opportunities of trade also exist among developing countries and full use should be made of them to increase the export capacity of these countries. This topic is dealt with in a subsequent section. 26/

2. External financial and technical co-operation

66. International financial and technical co-operation is important for reducing the obstacles encountered by developing countries in accelerating their economic and social progress. The world today has both the resources and the technical and scientific knowledge necessary to meet the challenge of development of poor nations.

26/ See paragraphs 91-93 below relating to regional economic co-operation.

While the bulk of technical assistance continues to be extended bilaterally, the role that international organizations play in providing technical assistance and in helping to apply science and technology for the benefit of developing countries remains vital.

(a) World solidarity contribution

67. Mobilization of international resources to aid development of the poor nations has been hitherto limited to actions at the collective level by Governments of developed and developing countries. A time seems to be coming for new measures and resources - both voluntary and tax-like - to be looked for and advanced by international community. In this respect, the following merit particular attention:

- (a) Introduction of special contributions by multinational corporations operating in developing countries;
- (b) Introduction of special taxes on consumption of a limited number of goods in all countries;
- (c) Activating widely voluntary contributions by companies, public organizations and individuals, if necessary through provision of tax concessions.

Apart from the material aid which may come from such measures, their social and political implications are also of appreciable and far-reaching significance. As a matter of fact, in all endeavours to solve the formidable problems faced by the poor and handicapped nations, very little reference is made to action by the common man. In this connexion, the Committee welcomes Economic and Social Council resolution 1357 (XLV) and General Assembly resolution 2567 (XXIV) on the mobilization of public opinion in support of the objectives and policies of the Second United Nations Development Decade. It has therefore sought to give concrete expression to the often expressed desirability of involving and identifying more closely the common man with the challenging concept of the solidarity of all mankind for the development of the world community.

68. In line with this thinking, the Committee has examined a proposal for a world solidarity contribution. Such a world solidarity contribution would be based on the consumption of a limited number of goods, the possession of which is at present indicative of the attainment of a relatively high level of living by the purchaser: for example, cars (and aircraft and pleasure-boats), television sets, refrigerators, washing machines and dishwashers. The contribution would be assessable at a low uniform rate - for instance, 0.5 per cent - on the purchase price of the item concerned. It would be collected by the tax authorities of each country and on their own responsibility. In keeping with the purpose of the contribution, the revenue derived should be used for financing international development. Nevertheless, it should be possible for the Governments to choose particular uses. Governments would be considered to have fulfilled their pledges by submitting each year the receipts to international development organizations chosen by them from a list adopted by the General Assembly. The proposal examined could be integrated into the activities of the Second United Nations Development Decade through pledges of Governments for this purpose.

69. While the majority of the Committee has supported this particular way of identifying the public with the spirit and objectives of the Decade, some members have expressed doubts concerning the introduction of such a contribution assessed on consumers. The Committee recognizes that the problem is complex and requires a careful study and consultations with experts on the feasibility of the proposal, as well as a comparison of benefits and disadvantages with other forms of contributions indicated in paragraph 67 above. It recommends that this study be undertaken as soon as possible.

(b) External finance

70. As indispensable as the expansion in their export earnings will be the increase in the net flow of financial resources received by developing countries for attaining the basic objectives of the Second United Nations Development Decade. One of the most important developments in international relations in recent years has been the acceptance by developed countries of the principle that they should provide in increasing amounts such resources for the economic and social progress of developing countries. Ideally, as the developed countries also reflect differences in their stages of economic advancement, they should share more equitably the transfer of resources for international economic development, taking into account, inter alia, the level and growth of per capita income of the aid-giving country. Ideally also, financial resources should be provided as grants and/or interest-free public loans, without any tying arrangement. In the same spirit, it will only be logical to consider at some stage the establishment of a world pool of finance for economic development, drawing upon revenues from the exploitation of resources of the sea-bed and the ocean floor and from other sources.

(i) Target for volume of transfers of financial resources

71. There are a number of measures and areas of agreement which should be given immediate attention by developed countries. To meet the external resource needs of the accelerated economic growth of developing countries, UNCTAD, through its decision 27 (II), recommended that each economically advanced country should endeavour to provide annually to developing countries financial resource transfers of a minimum net amount of 1 per cent of its gross national product at market prices in terms of disbursements, having regard to the special position of those countries that are net importers of capital. More recently, the General Assembly, in its resolution 2415 (XXIII), has recommended that, as a key element of the international development policy for the next Decade, economically advanced countries that have not done so should accept 1972 as the target year for the attainment of the aid volume target, as defined in UNCTAD decision 27 (II), and take urgent appropriate action to achieve this objective. The Committee believes that the achievement of this target should be a matter of first priority - in fact, a higher priority than marginal expenditures by developed countries on defence, space research or highways. Moreover, within the 1 per cent target just mentioned, and within the time-limit described, developed countries should consider providing a minimum of 0.75 per cent of their gross national product by way of net official financial resource transfers as defined in UNCTAD decision 27 (II). The Committee is aware of the difficulties which a number of developed countries with market economies will encounter in attaining this objective by the suggested target year. However, in view of the importance of their contribution, the Committee recommends

that these countries should make a genuine effort in this direction so as to ensure the success of the Second United Nations Development Decade; they should announce in the General Declaration or in their unilateral statements the concrete steps which they intend to take in order to attain the target for the transfer of financial resources by a date as close as possible to 1972. Developing countries with surpluses of saving - in the main, petroleum-exporting countries - should also provide financial resources to other developing countries.

72. In recent years some developed countries have resorted to restricting their financial transfers to developing countries by referring to unfavourable balance-of-payments conditions. The force of this argument is far less than it is sometimes believed to be. Often the goods purchased with the help of financial transfers are to a large extent the articles produced in aid-giving countries; this implies that the foreign-exchange burden is usually not high. Even if a country's international balance of payments is unfavourable, the measures required to restore equilibrium need not necessarily consist only of a reduction in payments actually made to foreign countries which may amount to some 5-20 per cent of the national product; viewed from this angle the scope for action becomes rather narrow. Moreover, reductions of payments made internally for the purchase of internationally tradable goods or "tradables" will also improve the balance of payments to an equal extent, since exports can then be raised by the same amount. Most developed countries spend some 50 per cent of their national income on tradables. Reductions in many more items than the ones actually imported will therefore be operative. In view of the high priority to be attached to international development the Committee feels that there is no need to restrict aid for balance-of-payments reasons; there are a large number of other, and better ways of equilibrating the balance of payments. In this connexion, the establishment and activation of the Special Drawing Rights with the consequent improvement in over-all liquidity position of the developed countries introduces another element of flexibility in their balance-of-payments adjustment.

73. It must also be emphasized that the purpose of the target for the transfer of financial resources has been to set a floor and that it has no implication for limiting the private capital flow component of it. At the same time, given the special need for official transfers, the Committee attaches particular significance to the UNCTAD recommendation that the public sector component of net transfer of financial resources should as a minimum equal 0.75 per cent of the gross national product of developed countries. The Committee welcomes the work in international organizations for further refinement of the target for financial transfers and especially the acceptance by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) of the concept of official development assistance which would bring precision to the conventional definition by including only resource transfers of the public sector that are administered with the promotion of economic development and welfare of developing countries as their objective and whose financial terms are intended to be concessional in character. Further refinement along such lines would, in due course, facilitate the application of common criteria acceptable as equitable to all developed countries.

74. In connexion with the "1 per cent" target for transfer of financial resources, the Committee has taken note of the opinion that, on grounds of principle, a distinction should be observed between the developed market economies and the centrally planned economies, and that, on the basis of an equitable approach, this

target may not be applied to the latter. There are also special features relating to them which need to be allowed for. The most important of them are that some of the countries belonging to this group would themselves belong to the category of developing countries if judged by the level of their per capita income, and large transfers of resources are being made by the more developed countries within the group to them which it would be difficult to bring within the scope of the aforementioned target. It has also been argued that the 1 per cent aid target, in so far as it has been defined to include commercial transactions and private capital has added another aspect to the problem. According to the same opinion, the financial transfers of the centrally planned economies do not contain any components involving dividend receipts and profits and other special relationships as it is the case for some components of the financial transfers from developed market economies. This introduces some qualitative differences in the further repercussions of aid flows.

75. The Committee, while taking note of the opinion that the target for transfer of financial resources cannot be applied without appropriate allowances for the special circumstances and characteristics of the centrally planned economies, places equal emphasis on the fact that the centrally planned economies have greater control over the mobilization and use of their resources for accepted objectives than have the market economies. The structures of these economies make it possible for them to be an important source of supply of capital goods and provide large and growing markets for the raw materials and consumer goods which developing countries are in a position to export to them in exchange. Such an approach also seems to accord with the stated preference of the centrally planned economies for making a more substantial contribution in trade rather than in financial co-operation. The Committee recommends to the centrally planned economies to include in their national plans indicators showing the scale, structure and directions of their financial flows to developing countries. A real contribution should be made through the largest possible expansion of economic, scientific and technical co-operation between these countries and the developing countries, including a greater contribution to the construction of industrial establishments, training of qualified national personnel and more extensive purchase of the goods produced in the developing countries - finished and semi-finished products - as well as of their traditional commodities. As already stated, the centrally planned economies should be ready to expand their imports from the developing countries at a rate in consonance with the attainment of the required annual increase in the capacity to import of developing countries. 27/ The promotion of trade and co-operation on such a mutually advantageous basis, however, depends to a considerable extent on the scale of the credits that can be offered by the centrally planned economies to developing countries and the terms of such credit, including the period of repayment. The centrally planned economies should take all these factors into account and make a contribution to the Second United Nations Development Decade commensurate with the efforts that the developed market economies are being called upon to make. In view of the significance of the financial-assistance target for the over-all consistency and feasibility of the suggested rate of growth of the gross domestic product of developing countries, the Committee attaches importance to the attainment of this target and therefore recommends that the centrally planned economies make a special effort to contribute to the success of the Second United Nations Development Decade by announcing in the

27/ See paragraph 52 above.

General Declaration or in their unilateral statements at the beginning of the Decade the specific measures they intend to adopt and implement. These targets and measures should, whenever appropriate and feasible, be stated in quantified terms.

(ii) Terms of external finance

76. The balance-of-payments problems of developing countries are greatly affected by the terms on which financial resources are made available, as well as the volume of these; moreover, the willingness of lender countries to refinance maturing debts is also important, especially in those cases where a country has got into difficulties and needs a general rescheduling of its obligations. The Committee considers it very important that the terms for new resources should be tailored as realistically as possible to the needs and repayment capabilities of individual recipient countries, and also that there should be prompt and co-ordinated action to introduce an appropriate rescheduling of debts, where the circumstances of a developing country justify such special assistance. Action of this latter kind should be part of a general scheme for meeting the country's difficulties, which might well include special measures to increase its exports.

77. In recent years, the average terms on which official financial resources are made available have been becoming harder, thereby increasing the risk that rescheduling may be needed later. The Committee considers that, in line with the recommendations put forward by DAC, developed countries should undertake to provide immediately at least 70 per cent of their total official development assistance as grants or conform to other alternatives suggested by that body. These grants would be concentrated mainly on the poorer countries and those in special difficulties; the average terms for the loans to a particular country should vary with the strength of its position, but, in general, bilateral official loans would be of long maturity and at low interest rates, with a substantial grace period.

78. The Committee suggests that developed countries should progressively improve these terms and should raise the grant component in their official commitments to 80 per cent by 1975 (or make equivalent improvements). As large a proportion as possible of the transfers should be in convertible currencies for untied purposes; if a loan is tied, it is equitable that the repayments should also be tied to specific exports from the borrowing country, if the latter so desires. Technically, there is considerable freedom in this selection of the targets of the kind under discussion. Viewed over a period of several years, there is a significant degree of interchangeability between the easing of conditions and terms of new loans and the rescheduling of old loans, except that the latter operation may make a larger and more immediate contribution to the easing of the external financial position of a given debtor country. The Committee in expressing the general validity of the long-run interchangeability of the two operations fully appreciates the need now for immediate action on both fronts given the current terms of loans, the magnitude of the rescheduling problem and the geographical distribution of the debt burden involved.

(iii) External finance on assured basis

79. For an orderly implementation of their plans, developing countries need external finance on an assured basis for a reasonably long period. Aid-giving

countries should, therefore, make their financial aid operations more susceptible to medium-term planning. Developed countries should create national funds to handle financial aid to developing countries on a programme and revolving basis geared to the needs of development in such a manner as to avoid the inconvenience of certain budgetary rules.

80. The plans of developing countries are often disrupted by unexpected shortfalls in their export earnings. The consequent decline in both foreign exchange receipts and government revenue is frequently of a nature or duration which cannot be dealt with by short-term balance-of-payments finance. A scheme for providing supplementary finance to deal with this problem has been under discussion in international forums. While specially welcoming the recent agreement reached in UNCTAD (Trade and Development Board resolution 60 (IX)) to invite the World Bank to consider working out arrangements for supplementary financing and its introduction, if appropriate, the Committee stresses its belief that the introduction of such a scheme would contribute significantly towards achieving the objectives of the Decade. As part of the objectives of the Decade, therefore, intensified efforts should be made to put such an international scheme into operation.

(iv) Multilateral external finance

81. In matters of external finance, international organizations have a major role to play. A growing part of the financial transfers to developing countries should be channelled through multilateral institutions. In turn, these institutions should be enabled to adjust their lending operations to suit the special requirements of individual countries, as regards both the volume and the terms of finance. Efforts should be made to strengthen considerably the co-ordination between bilateral and multilateral aid.

82. The Committee welcomes the important innovation in international monetary co-operation in the form of the recent establishment and activation of the Special Drawing Rights scheme. The creation of this form of international liquidity in so far as it improves the over-all reserve position of the developed countries constitutes an additional source of improvement in their capacity not only for implementing the aid target but also for increased aid. The benefits of this new form of international liquidity, themselves the result of international co-operation, should be linked in an appropriate way to development assistance. Since the acquisition of these new reserves, unlike the conventional way of earning reserves, involves no surrender of real resources on the part of the developed countries, it would be not only desirable but natural to establish a link between the resulting increased ability to transfer resources, and the justifiable claims for assistance of the neediest members of the international community. Such a link would, as it were, be making the developed countries earn part of the addition to their reserves in proportion to the amounts they make available in aid to the developing countries. The Committee therefore concurs with the view expressed by a recent UNCTAD expert group ^{28/} that it would be an expression of international solidarity and indeed an auspicious beginning of the

^{28/} "International Monetary Reform and Co-operation for Development: Report of the Expert Group on International Monetary Issues" (TD/B/285).

Second United Nations Development Decade if developed countries declared that part of their increased reserves, not necessarily in the form of special drawing rights (SDRs), would be made to accrue to developing countries. The Committee is aware that there are several methods of implementing this proposal that would be technically feasible. One such method would involve an amendment of the IMF Articles of Agreement to permit a direct contribution by developed countries of some proportion of their annual allocations of SDRs to the International Development Association (IDA) and regional development banks; while another method would require contributions of national currencies to IDA in some proportion of the annual allocations of SDRs to developed countries. Each of these methods has its advantages, and since they would be equally effective in bringing about the desired outcome, the Committee would favour whichever approach would most readily secure the agreement of Governments.

(v) Private capital

83. Foreign private capital, too, can play a helpful part. It is necessary, however, to direct in a selective manner such capital to activities that are in accord with the economic and social objectives of a developing country as set out in operational terms in its national plan, and to avoid the negative impact on the balance of payments or on the use of resources which some of the foreign private investments might have. While it is up to developing countries to adopt appropriate measures for inviting and making effective use of foreign private capital, developed countries should help through their fiscal and other policies in encouraging private investments abroad in socially beneficial activities. An important way, among others, in which the flow of private capital can be promoted is through the extension of existing systems of investment insurance against restrictions on the transfer of earnings and expropriation and other non-economic risks.

(vi) Criteria for allocation of financial transfers

84. The distribution of financial transfers among developing countries has been extremely unequal and strongly influenced by political considerations often alien to the international development strategy. In order to further the orderly progress of developing countries, and of world development in general, external assistance should be allocated on the basis of greater equity and efficiency. Appropriate criteria formulated to guide aid-giving countries and organizations in supplementing one another's assistance for bringing about a proper distribution would be useful. This problem is particularly important for implementing a development strategy that takes into account the needs of the least developed among developing countries. It should, of course, be emphasized that there is no unique solution to the problem, because the relative importance to be given to equity and efficiency involves a question of ethics and also because not all aspects of these two elements can be formulated in terms of sufficiently measurable criteria. Although the complications inherent in the subject require further study, some broad indications can nevertheless be given in order to improve the present distribution of assistance.

85. There appear to be four main criteria which should be given attention in allocating financial assistance. They are:

(a) The needs of developing countries;

(b) Their own development efforts, in terms of instituting needed social, economic and institutional reforms and systematically implementing measures in a concerted and continuous way;

(c) Their performance in making productive use of external assistance, that is, effective application of external assistance to areas where their marginal contribution to development is optimal;

(d) Their resources and potentialities; the aim here is to direct resource flows to areas where opportunities for exploiting known resources exist, thereby adding to the international community's capacity in terms of increased resources for future development effort.

Essentially, it is for human beings that the development strategy has to be designed; and the larger their number, the larger the needs. Then, the level of per capita income should be treated as the basic indicator of external assistance needs per capita. Thus, for the sake of equity, the poorer the country, the greater should be the assistance provided to it per head of population. However, other development needs and problems - for example, those arising out of balance-of-payments trends or the size of the country, or the stage of development or the higher costs of infrastructure per capita - should also be taken into account in the allocation of aid. On the other hand, as stressed earlier, the primary responsibility for development rests upon developing countries themselves. Therefore, external assistance should be forthcoming corresponding to the efforts made by these countries in mobilizing domestic resources. This is also an indicator of the ability to use assistance effectively. Structural changes and improvement in income distribution should also be considered appropriate measures of the countries' own development efforts. Clearly, the ability to make productive use of external assistance in proper planning, project preparation and implementation should always serve as an important criterion for the allocation of such assistance. In addition, the ability of a country to utilize effectively its resources and potentialities should be given due attention. The criteria suggested might be applied to both financial and technical assistance. A country's resources and potentialities could be dramatically altered by judicious application and pre-investment assistance. While the criteria are interrelated, the first three (a-c) might be considered as applicable mainly to the public component of resources transfers whereas the fourth (d) might influence more directly private capital flow.

86. The problem of defining criteria for allocation of external assistance is complex. For example, the use of a savings ratio as performance indicator runs into snags, since it is also an indicator of success which does not necessarily measure effort. In normal circumstances a country meeting this test, given appropriate public policies and direction, would most likely satisfy other social and economic criteria in terms of effort; yet the same test when applied, say, to oil producing countries, would probably reflect success rather than effort. This problem is further complicated by the fact that a country's efforts might not result in better performance (criterion c) mainly because its efforts were frustrated by the lack of complementary and concomitant effort by the international community. The unqualified use of a tax ratio, for example, without knowledge of the use of the resulting increase in resources would fail

to reflect taxation for non-developmental purposes such as the maintenance of large armed forces. Other social and economic indicators, such as export performance, effort in training or technical personnel, raising far productivity and improvements in institutions also need to be taken into account. Further work on the subject of aid-allocation criteria is highly desirable.

(c) Technical and scientific co-operation

(i) Technical assistance

87. An outstanding feature of the post-war years has been the creation of a vast machinery for technical co-operation within the United Nations system as well as bilaterally. Such technical co-operation has included personnel training, provision of fellowships and equipment, development planning advisory services and the important area of pre-investment work. This mechanism facilitates the channelling of needed skills from where they are relatively abundant to where their scarcity constitutes a hindrance to economic and social progress. A continuing increase in resources for technical assistance through multilateral channels will be required. It is important to streamline and strengthen the capacity of the United Nations system in the efficient discharge of its development obligations; in this connexion the Committee has taken note that certain measures are under consideration. Such streamlining and strengthening are essential for the successful implementation of the Second United Nations Development Decade objectives.

88. International facilities for a developing country should be provided on the basis of certain priorities and directed to solving the most critical economic and social problems. The development plan of the country should be the essential mechanism for achieving this. The technical assistance offered by international organizations should be not only mutually reinforcing, but effectively co-ordinated with bilateral assistance as well. A greater effort should be made to learn from the experience of international technical assistance experts. It is necessary to ensure that the experts are well qualified for the tasks entrusted to them and that, among other things, they devote appropriate attention to imparting knowledge and experience to their national counterparts in developing countries. Closer relationship between technical assistance and financial aid should be realized. Better co-ordination between various channels of technical assistance, both multilateral and bilateral, is an urgent necessity. Such measures as the strengthening of United Nations resident representatives as an effective instrument of co-ordination of various technical assistance programmes, regular consultation among bilateral and multilateral agencies for technical assistance, and the strengthening of regional approach in technical assistance are particularly desirable and should be aimed for. In this connexion, a significant role can be played by teams of experts established under United Nations auspices at selected points in developing regions and covering a small number of countries for helping to improve development planning at the national and sub-regional levels. Finally, technical assistance from more advanced developing countries to less advanced ones should be encouraged; such assistance can be especially effective because of the basic similarities in their underlying conditions.

(ii) Co-operation in science and technology

89. There should be greater international effort to establish, strengthen and promote scientific research and technological activities which have a bearing on the expansion and modernization of the economies of developing countries. Attention should be devoted to fostering technologies appropriate for these countries. This is particularly relevant for such fields as agricultural implements, food processing, mechanical and transport equipment, telecommunications, building materials and housing. Technological research is also needed for solar energy, ground-water development and water purification and desalination, which would bring benefits to the world as a whole. The efficient use of scarce international research personnel and the similarity of development problems require regional co-operation assisted by international institutions. Care needs to be exercised also to prevent inappropriate technologies from being inadvertently or otherwise forced on developing countries through the aid and investment policies followed by developed countries in relation to them.

90. Economically advanced countries should devote a significant part of their research and development expenditure to projects specifically geared to the requirements and conditions of developing countries. Assistance should also be provided for building up research institutions in developing countries, especially on a regional or sub-regional basis. Scientific and technological institutes in developed countries should enlarge facilities for training personnel from developing countries so that the pool of knowledge available for the latter expands rapidly. Private foundations and institutions, which have already played a valuable part in promoting research on such matters as the development of high-yielding varieties of grains, should further help to expand and diversify research activities of benefit to developing countries. A proposal under consideration by the Advisory Committee on the Application of Science and Technology to Development 29/ suggests that the developed countries might be called upon to transfer resources equivalent to 0.05 per cent of their gross national product to the developing countries for direct support of science and technology. It also suggests that developed countries devote some 5 per cent of their research and development expenditures in 1980 to specific problems of developing countries.

3. Regional economic co-operation

91. It is unfortunate that the possibilities for greater economic co-operation among developing countries themselves have not been given as much attention as they deserve. As part of a historical legacy, the trade flows of developing countries have continued to be heavily concentrated on developed market economies. Undoubtedly, as has already been emphasized in the preceding sections, everything possible should be done, through appropriate international trade and aid policies, to improve the external environment encountered by developing countries. At the same time, however, developing countries also need to make every possible effort to expand and strengthen economic and technical co-operation among themselves as a means of accelerating their economic and social progress.

29/ E/AC.52/L.68.

92. The need for greater economic co-operation is acute among countries of a relatively small economic size. The problem of the size has in fact become aggravated in recent years in some parts of the world following the transfer of power from colonial to independent Governments. As the Committee has explained in greater detail in its earlier reports, the creation of unified multinational markets in such cases would make possible faster expansion and greater economic diversification, would enhance productive efficiency through greater specialization and operation of activities on a more economic scale, and would help in overcoming barriers to development appearing in foreign trade with the developed parts of the world. Even among the developing countries whose economic size is not small, there is a great deal of scope for enlarging economic co-operation. Measures are therefore urgently needed in this direction, especially at the regional and sub-regional levels.

93. Developing countries should take appropriate steps to promote trade among themselves. There is sufficient diversity among these countries to permit a considerable expansion of their mutually beneficial trade not only in food-stuffs and raw materials but also in the output of their expanding industries. For bringing about such an expansion, removal of barriers to their intra-trade, though necessary, is not sufficient by itself; concurrent steps need to be taken to increase the supplies of exportable commodities. In a number of areas, joint ventures among developing countries should prove particularly beneficial. Transport, communication and river-basin projects undertaken jointly among contiguous countries hold a good deal of promise. Similarly, it should be possible to give impetus to industrial development through joint ventures and agreements with regard to specialization in selected industries. Such steps will undoubtedly help to speed up the expansion and modernization of the economies of developing countries.

D. Appraisal of progress during the Second United Nations Development Decade

94. The Second United Nations Development Decade should be a continuing exercise for harmonizing national and international policies aimed at speeding up the economic and social progress of developing countries. Thought should, therefore, be given to arrangements for conducting regular appraisals of progress towards achieving the goals of the Decade. More precisely, such appraisals should focus on the extent to which intended plans and policies are implemented, targets and other objectives attained and commitments fulfilled. The appraisals should be designed in the main to bring about necessary adjustments and modifications in policies, and to induce all participants in the Decade to carry out their obligations in respect of past agreements and commitments and provide an opportunity to introduce new aims and policies as needed.

95. As the process of economic and social development concerns the level of living of people and changes in the productive capacity of institutions and countries, the main task of measuring progress has to be undertaken at the national level on which goals are determined, policies formulated and measures executed. As part of their contribution to the Second United Nations Development Decade, therefore, individual developing countries should ensure that appropriate means are at hand for evaluating their own progress and the operation of the policies and measures being pursued in the implementation of development plans.

Through adaptation of the existing mechanisms and, when necessary, the establishment of new machinery, regular and timely appraisals should be made and organized so as to bring judgement to bear as promptly and effectively as possible on actual performance in respect of policies and programmes, and, when necessary, on priorities and objectives. The international community should help in this connexion through technical advice and through dissemination of information.

96. The United Nations, including the regional economic commissions, as well as the World Bank Group and the IMF, make regular comprehensive economic appraisals of the problems, progress and prospects of developing countries. In this connexion, the Committee has taken note of the plans of the World Bank Group to expand its appraisal work substantially. The functional organizations of the United Nations system carry out studies in their respective specialized fields which are of great importance in terms of the Second United Nations Development Decade. It would be necessary to co-ordinate the machinery for evaluation purposes and to ensure efficient links between its operation and the targets, objectives and policies of the next Decade. Further, similar links should be set up with the appraisals of development problems and progress which are currently made as part of the machinery for consultation between interested aid-providing and aid-recipient countries belonging to different configurations - for example, the World Bank aid consortia and consultative groups and the Inter-American system organized under the Alliance for Progress. Arrangements might be made, possibly on a group basis, for bringing into the consultation machinery the aid-receiving countries in which problems are similar but which are not at present covered by it and are desirous of taking advantage of these procedures.

97. The links among neighbouring countries and the similarity of their problems suggest the particular role and value of appraisals on a regional basis. Appraisals through regional arrangements not only help to bring intimate knowledge to bear upon the critical problems and policies, and in particular on the qualitative aspects of institutional change, but also to strengthen regional trade and economic co-operation. Such appraisals would most logically be carried out by the regional economic commissions in collaboration with functional organizations of the United Nations system. In those regions where systems of periodic appraisals are currently functioning, the regional economic commissions should co-ordinate their evaluation work with them in order to avoid duplication.

98. To give the Second United Nations Development Decade coherence as an international exercise, it is necessary to take a global view and regularly assess the performance of developed and developing countries on a comparative basis and in relation to the targets and objectives of the Second United Nations Development Decade. Such global assessments should identify the persisting obstacles to the economic and social progress of developing countries, suggest remedial action and re-examine targets and objectives in the light of changing circumstances. A global survey of progress should be made every year by the Centre for Development Planning, Projections and Policies of the United Nations Secretariat on a comprehensive international basis, taking into account the material on evaluation provided through the procedures set out in paragraphs 95, 96 and 97 above. It would be useful to supplement these annual surveys by periodic but less frequent examination in depth by functional organizations of the United Nations system of selected problems and the measures for institutional and social change. The global annual survey and the periodic functional surveys should help Governments, through the forums of the Economic and Social Council

and the General Assembly, to keep under close scrutiny not only the process of economic and social development but also the machinery and procedures of the Second United Nations Development Decade itself.

99. In addition to the governmental programmes of evaluation, and by international organizations at the national, functional, regional and global levels, there is need for independent appraisals prepared by an expert group appointed by the Secretary-General of the United Nations, not representing either Governments or institutions, which would utilize the staff facilities of the Centre for Development Planning, Projections and Policies of the United Nations Secretariat. The expert group's functions would be to examine and report on:

(a) Policies and performance of both developing and developed countries in terms of the relevant groups and sub-groups, in relation to the goals of the Decade;

(b) Changes in policies and programmes called for in the light of such performance and of the new possibilities that may emerge;

(c) Policies and criteria followed by international and regional organizations in relation to development programmes; and

(d) Planning machinery at the national and international level.

The expert group's report to the Economic and Social Council should not only fully reflect its technical and impartial approach, but also constitute a positive element in terms of mobilizing public opinion in favour of the attainment of the targets set for the Second United Nations Development Decade.

100. In so far as possible, in this as in all other respects concerning evaluation procedures for the Second United Nations Development Decade, the creation of new United Nations machinery should be avoided and existing facilities utilized to the utmost, in the same manner as in preparing for the Second United Nations Development Decade. However, there will need to be a restructuring of the economic units of the United Nations, at both the global and regional levels. While some adjustments within the present resources are presumably possible, the new tasks will have budgetary and administrative consequences which should be faced.

101. The Committee believes that national and international appraisals of progress can be carried out successfully only if adequate statistical information is available. It is necessary, therefore, to expand and improve statistical services in developing countries. This is an area where the technical and financial help of the world community is of great importance. Attempts should also be made to fashion more appropriate indices of economic and social progress and to strengthen international harmonization of statistical concepts and nomenclature. It is desirable in this connexion to ensure standardization in the layout of development plans, which should include a minimum list of objectives within the framework of international statistical standards.

102. The Committee is conscious of the fact that there are many subjects on which it would be desirable to have additional information and deeper analysis, including but not confined to statistics. Such studies could be valuable both for implementation of the Second United Nations Development Decade and for evaluation of progress. Carrying out of these studies often requires considerable time and may require co-operation between different organizations. It may therefore be helpful for all concerned to arrive at a tentative programme of the work which needs to be done, looking ahead over perhaps a five-year period to enable budgeting and staffing arrangements to be made and to facilitate co-operative arrangements between the various bodies which may be required to participate. The Committee has decided to place this subject on the agenda of its working group which will meet in August 1970. 30/ In this connexion, it has requested the Secretariat to invite organizations and bodies of the United Nations system to present proposals for an integrated medium-term programme for improving statistical and other information and for carrying out studies on subjects that require deeper analysis.

E. Concluding remarks

103. It is crucial for the world community to accelerate the economic and social progress of developing countries during the 1970s. The progress must include not only increases in production but attention must also be paid to achieving expanding employment and educational opportunities, improved distribution of income and other social objectives. In order to attain these basic objectives, the main recommendations made to Governments and international organizations may be very briefly summarized as follows:

(a) The socio-economic structure and the institutions of developing countries should be so reformed as to eliminate outmoded privileges, injustices and inefficiencies and to further, in all respects, the modernization of their societies.

(b) Developing countries should do their utmost to mobilize their internal resources for development.

(c) Developed market economies should expand the net flow of financial resources to developing countries so as to reach by 1972 1 per cent of their own gross national product, of which three quarters (0.75 per cent of gross national product) should be in the form of public funds. The composition and terms of aid should be modified so as to reach by 1975 a grant component of 80 per cent.

(d) Within a period of five to ten years international trade in products with unstable markets should be regulated, by commodity agreements or otherwise, so as to assure greater stability and establish long-term equilibrium prices.

(e) Trade in other products of developing countries, mostly semi-manufactures and manufactures, should not be hampered by policies of protection in developed countries.

30/ See paragraph 110 below.

(f) Technical assistance and the application of science and technology to resolve the problems of developing countries should be intensified.

(g) Centrally planned economies should create conditions for increasing their imports from developing countries and expand financial assistance to them at rates commensurate with the efforts that the developed market economies are being called upon to make.

(h) Developing countries should expand trade and other avenues of economic and technological co-operation among themselves.

Details on these main recommendations and on many other aspects have been set out in the preceding sections.

104. The Committee feels that, in conclusion, it should also enumerate the reasons why it judges that the relatively ambitious target for over-all rate of growth it has proposed and the relatively vigorous efforts needed to reach them have the high priority it claims for them and why the acceptance of simultaneous commitments on the part of all concerned is required. The next few paragraphs provide such a summary.

105. The essential point is that the suffering of very large numbers of citizens of many developing countries is strongly underestimated in the more prosperous parts of the world and by prosperous population groups everywhere. Already tragic enough in itself, this widespread suffering is becoming increasingly the source of future conflicts. This has been partially revealed by careful sociological research which shows a much higher frequency of internal conflict in low-income countries than in high-income countries. In another way it has been visible in the increasing tensions in some of the largest developing countries in all continents. The connexion between internal and external conflicts implicitly carries the danger of future international conflicts which, with the present state of the armament technology, becomes more dangerous every year. This is why the coherent twin problems of poverty and threats to international peace constitute by far the most important challenge to statesmanship all over the world. Compared with its importance the other problems currently under the attention of Governments and international institutions are of definitely lower priority.

106. The efforts needed are best characterized by what is sometimes called the necessary "war on poverty". This is not to say, of course, that efforts equal to those required in wartime are expected from Governments or peoples at this stage. In war years such as 1918 or 1942 the populations of prosperous countries had to accept substantial consumption sacrifices amounting in some cases to as much as one-third of their pre-war per capita consumption. What is called for now is not any decline in the level of their per capita consumption, but merely a very small change in the rate of its expansion. This is an effort which will in the end help to improve their own situation, thereby contributing to the future welfare of all.

107. In the opinion of the Committee, Governments should make every effort to convince their citizens of the necessity to accept this responsibility in their own interest, rather than following public opinion if it is short-sighted. The famous French saying "gouverner c'est prévoir" fully applies here. The Committee believes that government leadership will influence positively the willingness of their citizens to accept a well-conceived strategy for world development.

II. IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 2564 (XXIV)
ON SPECIAL MEASURES IN FAVOUR OF THE LEAST DEVELOPED
AMONG THE DEVELOPING COUNTRIES

108. The Committee had before it General Assembly resolution 2564 (XXIV) of 13 December 1969 in which the Assembly affirmed "the need to alleviate the problems of the least developed among the developing countries with a view to enabling them to draw full benefits from the Second United Nations Development Decade"; and in this connexion the Assembly requested "the Secretary-General, in consultation with the heads of the specialized agencies and the regional economic commissions, the Committee for Development Planning, the group of experts appointed under resolution 63 (IX) of the Trade and Development Board and any other appropriate consultants, to carry out a comprehensive examination of the special problems of the least developed among the developing countries and to recommend special measures within the framework of the Second United Nations Development Decade for dealing with those problems". In response to the resolution the Committee for Development Planning has established from its membership a Working Group consisting of Messrs. Gamani Corea, J.A. Lacarte, J.H. Mensah, Jean Ripert, and Zdenek Vergner. Mr. Ripert has been designated Chairman of the Group.

109. The Working Group held an organizational meeting on 12 January 1970 and suggested that for substantive discussions it should meet at Geneva from 23 to 26 March 1970. The Committee hopes that it will be possible to make the necessary arrangements for this purpose. For the successful discharge of the tasks entrusted to it and in line with the spirit of close co-operation with organizations and bodies of the United Nations system and other interested intergovernmental organizations that has characterized the preparatory work on the Second United Nations Development Decade, the Committee has requested the Centre for Developing Planning, Projections and Policies of the United Nations Secretariat to contact the relevant organizations to submit to the Centre a succinct and policy-oriented statement on the special measures that should be taken in their fields of competence in favour of the least developed among the developing countries. In view of the limited time available for action, such statements should be submitted to the Centre at the latest by 16 February 1970. It has also requested the Centre to prepare, on the basis of these submissions, a draft framework for the consideration of the Working Group at its meeting in March 1970. At that meeting the Working Group hopes to prepare its report for the approval of the Committee for Development Planning through a written procedure.

III. ARRANGEMENTS FOR FUTURE WORK

110. It is assumed that the Economic and Social Council and the General Assembly will take, at their sessions in 1970, decisions relating to arrangements for appraisal of progress during the Second United Nations Development Decade - a subject on which the Committee has offered a number of ideas in an earlier part of the present report. The Committee will review the subject at its next session in the light of those decisions, and will stand ready for any assistance that it may be called upon to provide. Meanwhile, it has decided to establish a working group consisting of its three officers and two other members to make suggestions relating to the framework for evaluating progress during the Second United Nations Development Decade. It hopes that arrangements can be made for the working group to meet for this purpose at Geneva from 3 to 7 August 1970.

111. With the completion of its work on the preparation of guidelines and proposals for the Second Development Decade, the Committee now wishes to take up also the other regular substantive item of its work programme, namely, problems of development planning and plan implementation. In this connexion, it believes that it will be very useful to examine aspects of long-term planning. A considerable amount of work on this subject is being carried out in Europe which portends valuable insights for both developed and developing countries. The work is also of great relevance for the concept of the United Nations Development Decade.

112. Accordingly, the Committee has decided to put the following items on the agenda for its seventh session:

- (1) Appraisal of progress during the Second United Nations Development Decade
- (2) Aspects of long-term planning at national and international levels and its implications for world development (drawing upon experience in Europe).

113. For its examination of agenda item (2), the Committee looks forward to having close co-operation of the Economic Commission for Europe (ECE) which has built up substantial expertise on the subject. It may be recalled that, in its previous report, the Committee took note with appreciation of the invitation from the Executive Secretary of ECE to hold one of its future sessions at Geneva. ^{31/} That invitation has been felicitously renewed in connexion with the seventh session and the Committee gratefully accepts it, subject to approval by the Economic and Social Council. The Committee hopes that it will be possible to convene the seventh session at Geneva in the spring of 1971. It has requested that, following the customary practice, the Centre for Development Planning, Projections and Policies of the United Nations Secretariat should work out appropriate topics to be discussed under agenda item (2) as well as details on documentation and other matters relating to the session in co-operation with ECE and other offices concerned.

^{31/} Official Records of the Economic and Social Council, Forty-seventh Session, E/4682, para. 108.

Annex

LIST OF PARTICIPANTS

Members of the Committee

- Mr. Gamani Corea, Permanent Secretary, Ministry of National Planning and Economic Affairs, Ceylon
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- Mr. A.N. Efimov, Director, Economic Research Institute of the Gosplan, Union of Soviet Socialist Republics
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- Mr. J.A. Lacarte, Ambassador of Uruguay to Argentina
- Mr. J.H. Mensah, Minister of Finance and Economic Planning, Ghana
- Mr. Saburo Okita, President, Japan Economic Research Center, Japan
- Mr. Josef Pajestka, Deputy Chairman, Planning Commission, Poland
- Mr. M.L. Qureshi, Member, Planning Commission, Pakistan, and Special Adviser, African Development Bank
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