



COMMITTEE FOR DEVELOPMENT PLANNING

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NOTE

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

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CONTENTS

<u>Chapter</u>	<u>Paragraphs</u>	<u>Page</u>
INTRODUCTION	1 - 7	1
I. ATTACK ON MASS POVERTY AND UNEMPLOYMENT	8 - 10	3
A. Nature and urgency of the problem	8 - 18	3
B. Measurement of poverty and unemployment	19 - 26	6
C. Development planning and the attack on mass poverty	27 - 33	7
D. Industrialization and related trade policies of developing countries	34 - 47	9
E. Agricultural and rural policies	48 - 56	12
F. Public construction and related policies: a possible leading sector	57 - 67	14
G. Education and training	68 - 76	17
H. Health and other service activities	77 - 81	19
I. Needed international contributions: trade	82 - 87	20
J. Needed international contributions: concessional finance	88 - 95	21
K. Poverty and environment	96 - 101	23
II. PREPARATION FOR THE BIENNIAL OVER-ALL REVIEW AND APPRAISAL OF PROGRESS IN IMPLEMENTING THE INTERNATIONAL DEVELOPMENT STRATEGY	102 - 108	25
III. MATTERS REFERRED BY THE ECONOMIC AND SOCIAL COUNCIL . .	109 - 113	27
A. Identification of the least developed among the developing countries	109	27
B. Reports to the Economic and Social Council	110	27
C. Journal of Development Planning	111 - 113	27
IV. ARRANGEMENTS FOR FUTURE WORK	114 - 116	29

ANNEX

LIST OF DOCUMENTS	30
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INTRODUCTION

1. The Committee for Development Planning held its eighth session at the headquarters of the International Labour Office in Geneva from 10 to 20 April 1972. The following members of the Committee attended the session: Ester Boserup, Gamani Corea, Paul Kaya, V. N. Kirichenko, Janos Kornai, John P. Lewis, Ian M. D. Little, G. Reza Moghadam, Philip Ndegwa, H. M. A. Onitiri, József Pajestka, Guiseppe Parenti, Jean Ripert and Jan Tinbergen. The Committee was assisted by representatives of the Secretary-General from the Department of Economic and Social Affairs and the Office for Inter-Agency Affairs, and the Economic Commission for Europe, the Economic Commission for Asia and the Far East, the Economic Commission for Latin America, the Economic Commission for Africa, the United Nations Economic and Social Office in Beirut, the United Nations Conference on Trade and Development, and the United Nations Industrial Development Organization, and by representatives of the United Nations Development Programme, the United Nations Research Institute for Social Development, the United Nations/FAO World Food Programme, the International Labour Office, the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization, the International Bank for Reconstruction and Development, the International Monetary Fund, the International Telecommunication Union, the European Economic Community and the Organization for Economic Co-operation and Development.

2. As the Director-General of ILO was away from Geneva on 10 April 1972 because of the meeting in London of the Administrative Committee on Co-ordination, the Deputy Director-General (in charge of Technical Programmes) welcomed the Committee for Development Planning to ILO headquarters and expressed appreciation for its decision to discuss, as the main substantive items of the agenda for the session, employment policies and other selected elements of the strategy against mass poverty in the developing countries - topics of great interest to ILO.

3. The Committee elected the following officers for its current term ending on 31 December 1974:

Chairman: Gamani Corea

Vice-Chairman: Janos Kornai

Rapporteur: John P. Lewis

Thanks were expressed to Professor Jan Tinbergen and the other outgoing officers of the Committee for their leadership in carrying out the tasks entrusted to it during 1966-1971. Appreciation was also expressed for the contributions made by the members whose term expired on 31 December 1971.

4. The Committee adopted the following agenda:

1. Opening of the session

2. Election of Chairman, Vice-Chairman and Rapporteur

3. Adoption of the agenda
4. Organization of the work of the session
5. Employment policies for reducing mass poverty
6. Other selected elements of the strategy against mass poverty
7. Work relating to appraisals of progress during the Second United Nations Development Decade
8. Matters referred by the Economic and Social Council
9. Arrangements for future work
10. Adoption of the report to the Economic and Social Council.

5. The Committee's deliberations on employment policies and other selected elements of the strategy against mass poverty were greatly facilitated by the report (E/AC.54/L.50) prepared by its Working Group, comprising Julio A. Lacarte, John P. Lewis, H. M. A. Onitiri, József Pajestka and K. N. Raj, which met at United Nations Headquarters from 28 February to 3 March 1972. The Committee expressed appreciation to the members of the Working Group for their valuable contribution.

6. The Committee wishes to put on record its gratitude to the Director-General of ILO for inviting it to hold its eighth session at ILO headquarters and for the excellent substantive and administrative support provided by the staff of ILO. The Committee also wishes to thank other organizations which had provided valuable information and assistance at the meetings of the Committee and its Working Group.

7. The comments, views and recommendations of the Committee on the subjects discussed at the session are set out in the chapters that follow. For the discussion of the problems dealt with in chapter I, the Committee had before it five substantive papers: "The public-works approach to low-end poverty problems: the new potentialities of an old answer" (E/AC.54/L.42) by John P. Lewis; "Aspects of international trade and assistance relating to the expansion of employment in the developing countries" (E/AC.54/L.45 and Add.1) by Julio A. Lacarte; "Employment strategies and poverty-reduction policies of developing countries: problems and issues in the light of experience in development planning" (E/AC.54/L.47) by the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs of the United Nations Secretariat; "Some elements in the strategy of employment promotion in developing countries" (E/AC.54/L.43) and "Measuring the adequacy of employment in developing countries" (E/AC.54/L.44), both by ILO. Although the analyses and conclusions contained in the papers do not necessarily reflect the opinions of the Committee, it believes that the papers will be of value to development planners and policy-makers and that they could usefully be read in conjunction with chapter I of the present report.

I. ATTACK ON MASS POVERTY AND UNEMPLOYMENT

A. Nature and urgency of the problem

8. Mass poverty continues to be a dominating feature in the developing countries, and unemployment has assumed serious proportions in many of them. Even countries that have achieved high rates of growth of output have not escaped these problems. In many countries the situation has deteriorated in recent years. Even if people have some semblance of work, their productivity remains low. The continued rural-to-urban migration of people in search of better work and incomes has further aggravated the problem by spreading slums and shanty towns and exacerbating the misery of poverty. High unemployment rates among the youth and the educated have frequently generated acute social unrest.

9. While large segments of the population in many developing countries have inadequate work opportunities, are grindingly poor, suffer from malnutrition and live in miserable hovels, a very small segment in many of those countries enjoys great affluence. Such information as is available suggests that, in some developing countries, the distribution of income and wealth has become even more unequal in recent years.

10. The contrast between rich and poor is becoming sharper both as between the developed and the developing countries and, in many cases, within the developing countries themselves. In a world pulsating with improving communications, these growing disparities generate urges and pressures that cannot be contained for any length of time. Such is the imperative for giving particular attention to policies and programmes that would not only sustain or accelerate the growth process in developing countries but simultaneously begin making major inroads on mass poverty and unemployment.

11. These problems no doubt are basically a reflection of the under-development of the poor countries and the structural imbalance associated with it. A rapid growth of population has resulted from substantial reduction in average death rates that has been accompanied so far, except in a few developing countries, by little or no decline in birth rates. Another contributing factor has been the labour-saving bias of certain kinds of technological change associated with development. At the same time, extreme and persisting cases of under-used human resources and glaring income inequalities are typically rooted in institutional rigidities. Countries that are able to transform their institutional frameworks may succeed in reducing poverty and unemployment as well as in promoting economic growth. This seems to be supported by the evidence available.

12. It is well to recognize that in most developing countries any programme which seeks to ensure a minimum level of living to all sections of the population will require some redistribution of income and consumption as well as change in the composition of national product. If the necessary redistribution of income and consumption is of large dimensions, as is invariably the case when poverty and unemployment exist on a massive scale, conventional policies are seldom sufficient.

To achieve the desired objective, more radical measures - fiscal and of such other types as redistribution of land - have to be adopted. Whether they are feasible or not depends heavily on the balance of political forces in the country concerned. What are regarded as organizational obstacles to redistributive measures are often a reflection of specific social and political constraints. Unless there is sufficient political commitment to the surmounting of these constraints, efforts to combat poverty are destined to fail.

13. For a drive against mass poverty, it is essential that Governments of the developing countries should start with a clear idea of what, in their own social context, they would regard as the components of a minimum level of living consistent with human dignity. They should identify those sections of the population whose consumption standards do not meet this minimum. Formulating development programmes and policies in terms of average per capita income or consumption, or of the rate at which these averages might be increased, is not adequate for focusing attention on the points at which attacks on acute poverty are most needed. While in most developing countries much remains to be done to furnish a precise measurement of mass poverty - and, as emphasized in section B, action is urgently needed for this purpose - sufficient information does exist to enable Governments to mount an attack. Once the dimensions of poverty are quantified - however roughly - it should be possible to determine how far the problem can be tackled during a defined period by general measures for accelerating economic growth, and how far such measures need to be supplemented by specific measures to increase the income and consumption of those below the poverty line. In this respect, employment programmes need to be regarded as a means both for accelerating economic growth and for redistributing income and consumption.

14. The extent of under-used labour in the developing countries indicates the scope for accelerating economic growth through its more productive use. Moreover, developments in science and technology could, if supported by adequate international efforts, open up potentialities for economic growth through techniques that would not be necessarily capital-intensive but could absorb the idle labour at rising levels of productivity. Progress in these directions, however, is crucially dependent on a measure of redistribution of consumption in favour of the newly-employed; this can be achieved, inter alia, by means of the mobilization of the surpluses which accrue to owners of property in the developmental process, particularly in the form of capital gains.

15. The aim should be to link up mobilization of idle labour as far as possible with measures for increasing production and, even more, for raising the rate of accumulation. Through appropriate technological, economic and political measures, it should be possible to strengthen complementarities in the development process and thereby promote both economic growth and employment. Sometimes, however, choices at the margin between promotion of economic growth and alleviation of mass poverty may be necessary. Here, of course, countries must determine their own priorities. However, the Committee strongly sympathizes with the new disposition of many Governments to raise the relative importance, in such calculations, of the objectives relating to alleviation of acute poverty and unemployment.

16. It is logical that development strategy designed specifically to counter mass poverty should alter the product composition of the national output that has to be planned for and also, where feasible, the techniques of production. As

indicated in section D, reduction of extreme inequalities in income distribution in the developing countries can have beneficial effects on economic growth and employment through their effects on the product composition of output. For certain products, capital-intensive techniques of production are the more efficient over a very wide range of factor costs, and developing countries have no alternative but to adopt them; but for other products there is a wider choice of processes and techniques.

17. From all that has been said, it follows that programmes aimed at reducing mass poverty and unemployment should be conceived as essential components of the over-all process of economic and social planning. In some cases, this may call for substantial modifications to present approaches to planning; in others, radically new approaches may be required. Much would depend on the particular economic and social circumstances. What seems to be true in a large majority of cases is that the policies designed to alleviate poverty and unemployment are inextricably bound up with the patterns of economic development and income distribution which the society has set for itself. They encompass questions about development priorities, taxation policies, wages, salaries, profit rates and other income shares, about which conflicts often occur. It is difficult to suggest a general method of settling these differences, since the answer will depend largely on the political pattern and the prevailing social environment in individual countries. Yet the need for finding appropriate institutional arrangements for reconciling such matters is inescapable. Here two recommendations may be ventured: first, Governments determined to combat poverty should find means of representing the interests of all major sections of their societies, particularly the economically most disadvantaged and politically weakest segments at the relevant stages of their planning processes; and secondly, such Governments should strive persistently to establish appropriate machinery and procedures for consultation on matters relating to income distribution.

18. The developed countries should, in turn, recognize the importance of the programmes aimed at alleviating mass poverty and unemployment in the developing countries, and adapt their contribution to the efforts of those countries, not only in their declarations but also, as is discussed later, in their actions. In many developed countries it is increasingly evident that economic growth does not automatically ensure equitable distribution of income and that it may even increase and aggravate inequalities between social groups or regions. In such countries increasing stress is laid on policies designed to ensure more equitable distribution of income and property and to prevent harm to the environment due to unco-ordinated economic growth. But the need to introduce such corrective action in their own development policies should not, as too frequently happens, constitute an argument for failing to expand or - even worse - for reducing their contribution to the effort of the developing countries where the levels of unemployment, underemployment and poverty are much higher. Public opinion in the developed countries has been made insufficiently aware of these problems, and it is the role of the public authorities to correct this. In the same spirit, the developed countries should not only orient their aid or assistance policies so as to provide direct support for action undertaken in the developing countries, but they should even support policies that use methods or institutions different from their own.

B. Measurement of poverty and unemployment

19. Statistical information about income, employment, underemployment and unemployment is very inadequate. Deficiencies cannot be remedied quickly; the necessary work is complex and costly. However, the existence of a body of reliable statistics should not be considered a pre-condition for action, especially for action designed to remedy the most serious situations. In almost all countries there is enough information to serve as a basis for such action, especially if the latter in turn remains responsive to improving supplies of information.

20. At the same time, if Governments shift their development priorities in favour of the alleviation of mass poverty and unemployment, it is important that their statistical programmes keep as nearly as possible in step by improving their data on manpower and, most particularly, on the distribution of income and certain specific aspects of the quality of life for the very poor. Often available but unused statistical information can be rendered usable for policy purposes at comparatively little cost. Countries with a concern for mass poverty and unemployment need to know approximately how widespread these phenomena are, whether they are getting better or worse, and what groups of the population are mainly affected.

21. Many of the people of developing countries, especially in the rural areas, work and live as members of groups rather than isolated individuals. The rationality of the organization of work and of the distribution of income (in cash and in kind) has to be judged with reference to whole families and other groups. Account should be taken of this in fixing statistical objectives and determining the information needed for policy purposes.

22. How can countries define and count the "poor"? In paragraph (1) of the International Development Strategy for the Second United Nations Development Decade (see General Assembly resolution 2626 (XXV)) it is implied that the poor are those who do not enjoy the "minimum standard of living consistent with human dignity". Different countries at different times, of course, give different content to this norm. Poverty is a relative matter, and acceptable minimum living standards tend to rise as an economy progresses. It is reasonable for each country to fix - and to revise - its own poverty line from time to time. It is difficult to define international poverty norms, except perhaps within such fields as nutrition and health.

23. It is most important, however, that within their categories of poor families, countries identify a subcategory of the "extremely poor" - defined in terms of some acceptable nutritional norms. While there are still significant differences over nutritional norms, distinguishing the seriously malnourished is likely to pose fewer problems than defining the poor. To eliminate extreme poverty, is a goal that should have much greater appeal to ordinary men and women than a target for the rate of economic growth or domestic saving. Such a target should be included in the International Development Strategy as soon as possible.

24. A main reason for wanting to be able to count the poor is in order to ascertain the conditions with which poverty is mainly associated. Thus, families in different per capita income brackets need to be cross-classified according to location (rural or urban), occupation (or spectrum of occupations), extent of dependence on wage and self-employment, size of land holdings, seasonality of work, age and sex

composition of the members, and educational attainments. In this way, the extent of overlap between poverty and underemployment and the associated factors (although not, necessarily, any casual inferences) can be established.

25. In the measurement of employment, unemployment and underemployment, there are some extremely difficult problems of quantification which are examined in one of the papers prepared by ILO (E/AC.54/L.44). Although poverty and underemployment are closely associated, the two are differentiated phenomena, and the extent of overlap between them varies from country to country. Poverty prevails even among sections of the population who are more than fully employed in terms of hours of work. Although in the developing countries a major reason for concern with unemployment is the poverty usually associated with it, work opportunities are also needed as a source of self-respect and as a means of participation in the life of the community. Unemployment among those above the poverty line should, therefore, also be a matter for concern.

26. As much as possible of the necessary information about income distribution and acute poverty as well as employment and unemployment should be obtained from all existing sources (for example, general censuses, establishment surveys, administrative sources). In such an exercise, priority should be given to data throwing light on particular sections of the population, rather than to general inventories. In most countries, however, recourse will also be needed to sample surveys of employment, consumption and income. Such surveys should be carried out with care by qualified enumerators, and should be repeated at frequent intervals. Attention should be paid to seasonal problems. The content of surveys should be adapted to the populations concerned. Sample surveys should be complemented by in-depth studies or monographs covering particular social groups. The international community should encourage and help the carrying out of statistical surveys by contributing to their financing or by providing technical assistance. The programmes of the United Nations system in this field merit strong reinforcement.

C. Development planning and the attack on mass poverty

27. Governments of many developing countries are aware that their problems of mass poverty are massive, growing and urgent. These problems require urgent attack. Governments who would respond effectively must in most cases be prepared to set some radical courses. They must move their poverty-reduction and employment goals from the periphery toward the centre of their development plan. They must become as concerned with income and output distribution as with income and output generation. They must adopt programmes with direct benefits for the very poor.

28. Such reforms and commitments, moreover, must take on bold dimensions. Typically, privileged and powerful interests within the developing countries will not cheerfully pay the costs the new commitments will entail. In mustering the political will and in organizing the required national consensus, however, Governments need to recognize that failing to act - or making no more than token responses to mass poverty and underemployment problems - is likely to yield even more disruptive outcomes. They should also be assisted in their efforts by the developed countries and international agencies. That message, both as to

international trade and aid, needs to be given to those who could provide impetus to the economic and social progress of the developing countries.

29. The urgency of finding solutions to the problems of mass poverty - the keynote of the present report - is a theme that has come into vogue, and this is a welcome turn of events. However, it should not create the illusions that levels of aggregate output, of growth in output, and of aggregate accumulation are no longer important in poor countries, or that industrialization need no longer serve as a means of modernization and as a vehicle for useful technological transfer and adaptation, or that the new dynamism that recent progress in agriculture has been injecting into a number of developing countries can be safely set aside. The Committee rejects all such illusions and propositions. It believes, instead, that the kinds of radical poverty-reduction programmes many developing countries now need are those that will raise the grievously low productivity of the poorest groups and their incomes. The needed reforms, therefore, will mobilize the energies of the poor the socially-productive tasks. They will add to output; they will rearrange the pattern more than they will retard the pace of growth, if in fact, they do the latter.

30. The shifting of gears implied by the adoption of a development strategy aimed at mass poverty, however, will pose a major challenge for the development planners of most developing countries. Most countries have ongoing planning efforts that undertake, more or less exhaustively, to guide development activities and allocate development resources, or, at least, do so for what is taken to be a dominant core of the economy. In either case, many such countries have growing balances of "left-over" poor at the lower ends of their income and status scales. And yet typically Governments do not perceive that they have any slack resources. How can, then, the former problem be solved within the latter constraint?

31. Countries will differ in their responses to this question, depending in part on the vigour with which they reorder their priorities and where they stand in their planning cycles. Part of the answer, however, must be found through the reallocation of existing resources - more specifically by using the available capital to provide jobs for more workers, thereby upgrading the productivity of some of the very poor and the previously underemployed without offsetting losses in the productivity of those previously using the capital. In turn, part of this reallocation of capital can be accomplished by adjustments in the economy's existing productive processes - in its factor prices, selling prices, choices of products and, where possible, choices of technologies. Another part of the reallocation of existing resources may be accomplished by means of fiscal policy; through a redirection of taxes and savings, some previous productive activity may be curtailed in favour of new state-supported activity that is both labour intensive and socially productive. At the same time, almost all developing countries will need to find additional resources to orient their development plans towards an attack on mass poverty. As is argued below in the case of new public construction initiatives, this is not impossible even internally, given sufficiently innovative efforts at resource gathering. But, as is also argued below, expanded efforts to counter mass poverty are likewise urgently in need of additional external assistance.

32. Countries seeking to give emphasis to alleviation of poverty in their development planning will find that this cannot be done instantaneously. Ongoing

projects and programmes cannot be halted or redirected in mid-stride. Besides, even with the most strenuous efforts and good fortune, an adequate marshalling of additional resources will take some time. Furthermore, some of the more promising reforms, notably those concerning the functioning of market mechanism, will only gradually register their effects. These considerations have been borne in mind in the discussion of policies by individual sectors in the following sections.

33. It should be noted that, although in section D the particular importance of appropriate cost-benefit analysis and "shadow", or social, prices is stressed in the context of industrial project selection, the considerations apply more broadly. Indeed, such planning methods have a special role to play in any drive towards greater labour intensity and the promotion of employment. In construction and agriculture many examples could be given of choices of techniques which are biased in a capital-using direction because the true social cost of employing unskilled workers is overstated by market prices. It is, of course, no easy task to integrate such methods into more traditional styles of planning. Research on this is continuing in the centrally planned economies, in the advanced market economies, and also in a few developing countries. While no precise guidelines can be suggested at this juncture, one thing is clear: good planning cannot proceed without an appreciation of the social costs and benefits of projects at the micro-economic level; and equally, the costs and benefits of projects at that level cannot be well appraised without a clear conception of where the economy as a whole is heading, and what the over-all objectives are.

D. Industrialization and related trade policies of developing countries

34. Following the historical experience of the economically-advanced countries, the developing countries have looked upon industrialization as an essential part of their development strategies and a vital component of their efforts to counter poverty and unemployment. While in the relatively short experience of industrialization in the developing countries the direct contribution of industry to employment has been small in all but a few of them, in the long run industrialization will play a most important role in the economic growth, modernization and social transformation of the developing countries. Industry is the most dynamic sector of the economy, where productivity usually increases at the highest rate. It can make very important contributions to the development of other sectors, particularly agriculture but also transport and services. Industrial production requires skill and organization; therefore, its expansion promotes desirable work habits or attitudes of the population. Industrialization serves as the main economic background for urbanization processes. Last, but not least, it may help developing countries to find a more favourable place in the international division of labour.

35. If the investment rate is sufficiently high, and industry has a big share in the total investment, then industrialization can play a major role in promoting employment. There are, however, difficulties. First of all, the investment per capita is relatively small in many developing countries, and cannot be increased very rapidly. In addition, industry is a small part of the economy of many of these countries and their population growth is very fast (usually much faster than during the early period of industrialization of the developed countries). These circumstances require special short-run measures in attacking unemployment and mass poverty.

36. But much can and should be done to make industry absorb labour more rapidly than at the very disappointing rates of the 1950s and 1960s, when in many developing countries industrial labour grew more slowly than the population of working age. This has been despite apparently satisfactory rates of growth of output. More also needs to be done to prevent industrialization resulting in very high profits for a small group of capitalists, and high salaries for a select group of managers, whose demands in turn, when combined with import controls, have led in some cases to the production at high cost and on a small scale of luxury consumer goods.

37. The industrial development policy should be closely linked with policies aimed at output expansion and employment promotion in other sectors. Industry needs to supply agricultural equipment and also meet the increased demand for manufactured consumer goods resulting from the growth of rural income. Many types of simple equipment and machinery can be manufactured in small and medium-sized enterprises using local materials and labour-intensive techniques. The same reasoning applies to the other sectors, particularly construction and services.

38. Some desirable change in the output of industry towards labour-intensive items of mass consumption, such as cloth and cheap clothes, shoes, and simple domestic utensils, would follow from a shift towards more egalitarian income distribution. The greater efficiency of both more labour-intensive and smaller-scale modes of production in such lines compared with the process choices available for air-conditioners, cars and other modern gadgets, would in turn reinforce the other measures designed to reduce income disparities. Many countries may find it desirable to impose heavy indirect taxation on consumption, thus restricting demand for them to a level which makes it more sensible to import them than to produce them at home.

39. It is unlikely that Governments would encourage domestic producers only in those activities which are justified by the availability of factors of production and existing markets. By over-emphasizing short-term employment objectives, countries might choose a combination of products and technologies which are insufficiently conducive to economic growth in the long run. They must therefore determine the nature of their employment policy in the context of their long-run development objectives. They should strive to make maximum use of their human potential and reduce underemployment and unemployment; but, at the same time, they should not sacrifice the future scope and dynamism of their development by relying solely on short-run considerations.

40. In the 1950s and 1960s, industrialization in developing countries largely took place behind controls instituted to maintain a viable balance of payments. Some countries also protected their industries with high tariffs, but more often controls were the operative factor. A bias against both manufactured and agricultural exports was created by maintaining over-valued currencies and by raising the cost of inputs above world levels. Although some countries have tried to counteract this effect with export subsidies, the result has been that industrialization proceeded predominantly by means of import substitution. This style of development planning partly followed from historical factors - the great depression of the 1930s, interruptions of international trade during 1939-1945 and the inability of the industrialized countries to deliver some goods soon after the Second World War - but it was also dictated to an important extent

by the restrictive import policies of the developed countries, which made the developing countries pessimistic about the possibilities of producing manufactures for export. A few developing countries which have adopted realistic exchange rates and measures of export promotion have shown that very rapid expansion of labour-intensive exports was possible. The implications of this are referred to again in paragraphs 43 to 46.

41. There are other factors, apart from the product mix, which have contributed to the increasing capital intensity of industry. Many countries have protected consumption goods more heavily than capital goods. Sometimes capital goods have been imported duty free. In other cases, capitalists have over-invoiced capital goods, selling the difference in foreign exchange on black markets or retaining it for their personal use abroad; this results in a smaller total inflow of capital but makes individual items of equipment very cheap to the actual user. Interest rates for domestic investors in modern large-scale industry have been kept below the scarcity value of capital, and tax concessions given for capital investment. In these ways, imported capital goods have been kept relatively cheap, and their production in the developing countries has been inhibited (although the process for producing a considerable amount of capital goods is relatively labour-intensive). This has contributed to the under-utilization of productive capacity in the developing countries, where shift working is less common. Other key factors contributing to the low intensity of capital use have been deficiencies of planning, inadequate organizational and managerial skills, and erratic supplies of domestic and imported raw materials and other inputs. All such factors have helped to make capital-output and capital-labour ratios higher than they might have been.

42. Planning and management need to be improved to bring about a more rational and intensive utilization of capital. Sufficient priority needs to be given to the training of industrial labour and the supervisory personnel. Subsidies and concessions to industries need to take forms which encourage the use of labour rather than capital.

43. The promotion of labour-intensive industries in the developing countries largely on the basis of export markets requires the co-operation of Governments, trade unions and, in general, the people of developed countries. Although measures are needed for an acceleration of trade among developing countries, the mass markets for many labour-intensive products lie in the developed countries. Effective protection against such products from developing countries is still higher than it is on products more typically traded among developed countries themselves, and often non-tariff barriers are still more onerous. Governments of developed countries can and should do much to help both the developing countries, and themselves, by educating their own public to recognize the advantages of accepting products made with cheap and even subsidized labour abroad, and by helping those who are hurt by industrial restructuring to obtain other employment.

44. For many of the least developed among the developing countries to be able to benefit from any significant industrialization, co-operation with their neighbours is crucial. Every assistance should be given to regional arrangements in such cases. Preferential arrangements between their better-placed neighbours and developed countries can operate to harm the least developed countries. This factor should be considered by those making such arrangements; and the Committee

urges further support for the regional banks, and other regional organizations, which place such co-operation in the forefront of their policies.

45. Technological innovation - the conversion of scientific potentialities into practical productive processes - is an expensive process, which has been achieved mostly in the advanced economies; and hence the range of available alternative techniques suitable for the developing countries is narrow. Developed countries should seek to orient more of their expenditure on technological research and development to the needs of developing countries. Developing countries should also do more effective screening and adapting of innovations coming from abroad and more effective innovations of their own. This is a major and time-consuming undertaking which requires substantial and appropriate institutional development. In many cases it will suggest a need for regional co-operation. Moreover, the effort invites strong and perceptive international assistance.

46. It must be recognized that the rather major shifts of industrial policy which have been envisaged cannot be painlessly achieved. Every country must judge for itself the feasibility of those changes in its balance of payments and trading policies which could be expected to facilitate a more labour-intensive industrial development.

47. Prices of imports and exports, as well as industrial wages in many developing countries may however continue to reflect inadequately the scarcity of foreign exchange and the relative abundance of labour. In such circumstances profitability is often a poor guide to the benefits which a country derives from industrial projects. It thus becomes all the more desirable to employ national and sectoral planning techniques and cost-benefit analysis using "shadow" price methods, both in considering what types of industry to encourage, and at the project level. Here the distinction of tradable and non-tradable goods is a useful one. There can be no argument that processes and industries which cannot (usually) be imported, such as power, transport, and construction, are of critical importance for laying the base for further industrial production, as well as for facilitating changes in the structure of, and the modernization of the economy. Here the problems lie in the techniques to be used, in the proper estimation of demand, and in the planning over time of the development of these facilities. Where things can be traded there are further dimensions of choice: whether to import, to produce for the home market only, or to produce on a scale which implies exporting. Technical assistance in the use of such methods is to be encouraged. As countries develop these techniques themselves, so should donor agencies feel able to streamline and accelerate their own project evaluations. At present, the use of differing methods by donors and by the slowness of their procedures cause frustration.

E. Agricultural and rural policies

48. For many years, a substantial part of the new entrants to the work force will need to find employment in agriculture, the predominant sector in most developing countries. The structure of the economy and the demographic pattern in these countries are such as to leave little choice in the matter. A vigorous agricultural expansion is also needed to give impetus to economic growth, to relieve food shortages, to combat malnutrition, to curb inflation and to alleviate pressure on the balance of payments. Indeed, the objective of a

prosperous rural sector needs to be at the centre of the strategy against mass poverty.

49. The expanding scale of agricultural production in certain developing countries during the past few years is encouraging, and this is opening up possibilities which were viewed sceptically not too long ago. The food supply has improved and the absorption of additional labour made possible by the recent agricultural momentum has contributed somewhat to alleviating the problem of unemployment and underemployment. The gains are, however, unevenly spread. Striking results are generally to be found in only one or two crops. Moreover, a disproportionate part of the gains appears to have gone to the cultivators who are comparatively well off rather than to those whose needs are acute.

50. In order to rectify this imbalance and to ensure continuation of agricultural momentum and a more efficient utilization of manpower resources in rural areas, considerable changes in agricultural policy are required. Reforms in the ownership of land are often needed; in many cases they are lacking or have remained weak and have frequently been considered as a sectoral measure rather than as a major instrument of social change. Experience in several countries has demonstrated that, by virtue of more intensive farming, output per acre in many important products is usually higher on small holdings than on large farms. In such cases, small-scale cultivation cannot only lead to greater production but also to more employment and better distribution of income, and measures to change the pattern of ownership of land holdings need to be undertaken with vigour. Where the holdings are very small, parallel measures are required to increase their size; but care should be taken to avoid the creation of family farms that reduce the employment of landless labour without giving some compensation. Where land is too scarce to provide the landless workers with family farms, such workers should be given small plots of land where they can grow some labour-intensive crops for family use or for sale. Moreover, supplementary work opportunities need to be provided through other rural activities.

51. It is essential to expand further the expenditure on agricultural research and development by strengthening those national and regional programmes which are most likely to affect the problem areas - namely, the marginal land and small holdings. International assistance is needed for this purpose.

52. As in industry, though not to the same extent, a tendency to favour mechanization can be observed in the agricultural sector. Mechanical equipment has its valid uses in agriculture in meeting the requirements of the cycle of sowing and harvesting and in diminishing the constraint imposed by the scarcity of land or labour in many areas, especially by means of the types of equipment that promote the production of several crops during a year. Where the use of mechanical equipment is competitive with labour which otherwise would remain underutilized, the mechanization policy should be reappraised and modified. Commercial and financial policies which have, as in the case of industrial machinery, made the market prices of agricultural equipment unduly low need to be modified. Further, and more important because of the scattered nature of agricultural activity, there is need to invigorate and streamline the organizational set-up for rural development.

53. In many developing countries, unemployment and underemployment in the rural sector exist mainly in the off-season periods of the cultivation cycle. To reduce

this seasonal unemployment and expand total labour use, the rural development policy needs to be aimed at intensification and diversification of production, at better water use, and at introduction of new crops and multiple cropping systems. In this respect, it is important to stress that the potential of animal production and of fisheries as valuable means of both livelihood and improvement in the consumption pattern is far from fully exploited in most developing countries. Experience of developed countries shows that such activities are of great importance for agricultural development. Special actions, including international assistance, are therefore recommended to encourage these activities in the developing countries, with greater emphasis than in the recent past on marginal areas and marginal farms.

54. Rural development has to encompass many activities besides cultivation. Complementary employment possibilities may be found in a number of agro-industrial activities covering forms of activity closely linked to agriculture for the processing of agricultural commodities and the production of agricultural tools and equipment. These ancillary activities (including handicrafts) should give a spur to the modernization of the rural sector and thereby help to bridge the gap separating it from the urban sector.

55. The creation of job opportunities in farming and in ancillary activities in the rural areas should be supported by the adequate provision of credit on favourable terms, the provision of extension services, the improvement of transportation, the construction of feeder roads, the expansion of marketing facilities and the provision of training and managerial advice.

56. There are, in short, very real opportunities in and around agriculture to increase employment and, at the same time, increase productivity. Moreover, ideas about limits on the expansibility of demand for farm products have to be rethought, especially in the context of more egalitarian, higher mass-consumption economies. In addition, there are opportunities, for improving nutritional standards, raising the general quality of diets, shifting cropping and farming patterns, and (given appropriate adjustments in international trade policies) increasing farm exports.

F. Public construction and related policies:
a possible leading sector

57. The conclusions from the two preceding sections are, first, that actions to combat poverty and unemployment that are not inimical to output are necessary and important in the fields of industry and agriculture; but, secondly, for many countries the adjustments resulting from such actions are not likely to meet their urgent needs in this respect, particularly in the short and medium terms. Some of these adjustments will take a good deal of time, and the potentialities of others may be limited by demand constraints. Accordingly, many Governments will be looking for a different leading sector that can provide decisive momentum now, and still be an integral part of their general development design, and can do so in a way that not only causes minimum dislocations to, but in fact reinforces, useful adjustments in other sectors.

58. Construction activity and land improvement - bunding, levelling, draining, ditching, fencing, etc. - are peculiarly well suited to this role, since efficient

labour-intensive methods can be used in such tasks. Moreover, developing countries have no need for 'make-work' construction in the pejorative sense. They have a wealth of needed things to build. Many of these projects, rural and urban, and especially in the linking areas between the two, have high benefits in relation to costs and hence, in terms of social returns, could repay their investment rather rapidly. Other construction, particularly in low-cost housing, could constitute an important part of the more equitable patterns of consumption that a poverty-reduction programme seeks. Labour-intensive construction therefore has the potential for meeting the problem of mobilizing idle and low-productivity manpower to productive tasks on a large scale, while at the same time, converting it into a resource. This potential extends in principle to private and public construction. However, because the emphasis here is on instruments readily and directly at the disposal of Governments, the following discussion concentrates on the potential for expanded public construction efforts.

59. The idea of employing masses of people in constructional and land-improvement activities is not new. But in the experience of many Governments that approach has been disappointing. The technical implementation of schemes has often been hasty and inadequate, and projects, once constructed, have often been poorly maintained. The approach has suffered from organizational weaknesses, especially as to the achievement of effective local control and participation in decentralized schemes. The benefits of past public construction programmes have tended to be trivial because of the very small scale on which countries have experimented with the approach. The worst obstacles to more ambitious experimentation have been those of financial resources, or of providing the extra food supplies needed to meet the demand generated by additional employment.

60. Notwithstanding the past difficulties, the Committee finds the present attractions of the public-construction approach to poverty-reduction policy impressive. It suggests that Governments should give consideration to this approach, but in a substantially transformed way. The claims of mass poverty have become more insistent. In a growing number of countries the food supply constraint on such efforts is being relaxed by agricultural acceleration. The approach could be put to work with some speed and its use could be comparatively massive.

61. Undoubtedly public construction as a principal vehicle for a programme designed to combat poverty faces the difficulty that most construction is not, in the same sense as agriculture, or industry, or trade (or, for that matter, housing) a main object or function of development planning or organization. Rather, it is an input to these other activities. This complicates the organizational problems of building a sensible construction focus into development design. To counter such difficulties centrally-planned public construction projects should form part of the plans, programmes and prospects for the development of industry, agriculture and services. Projects, which will also provide direct employment upon completion of construction programmes, should be chosen in accordance with socially-costed and, therefore, appropriately labour-intensive appraisals. As to local projects, the ubiquitous character of construction increases the opportunity for a properly conceived public construction programme to play an integral, indeed pivotal, role in promoting a number of the institutional changes that Governments are increasingly seeking through their strategies to combat poverty and unemployment. By delegating to local authorities more of the responsibility for choosing their own construction

projects and, at the same time, placing on them a larger obligation to raise a portion of the cost of projects themselves, such a programme could greatly help to augment resource mobilization and broaden developmental participation at the local level. It could promote and reinforce critical linkages and feed-backs between agriculture and industry. It could be closely associated with constructive reforms in land distribution. And it could provide the needed programmatic and budgetary content for the better-articulated regional and spatial strategies that many developing countries need. For all these reasons an expanded public construction programme could provide much of the thrust to poverty-reduction policies.

62. The following considerations, however, deserve careful attention. First, the approach needs to be adopted boldly as an integral part of the national development effort, not as supplementary measures introduced on an ad hoc basis. It is therefore necessary to attempt estimates of aggregate employment needs, however roughly, and of the extent to which increased construction could contribute to them. Secondly, Governments would need new instruments for effectively implementing construction programmes designed to achieve the objectives set out. It would also entail more decentralization of project choice, management and financing. This implies the strengthening of local planning and technical competence and, very probably, the use of matching-grant techniques for inducing adequate efficiency, probity and coherence in the programmes. The same techniques could assist the integration of the assets created into the activities (agriculture, marketing, education, health, low-cost housing, etc.) which they would serve.

63. The regional and spatial dimensions of development are being sorely neglected in many developing countries. This is the case particularly with the possibilities for promoting a more socially desirable as well as a more efficient pattern of dispersed, small but economically viable urban centres than is normally likely to emerge. Construction programmes designed to combat poverty and unemployment offer an opportunity for deliberately building up selected rural growth centres and, in general, for activating an explicit spatial strategy. Such centres could themselves generate a variety of continuing productive employment and permit a greater interchange between rural and urban activities, which would reduce the problem of seasonal unemployment in agriculture.

64. For most Governments, the over-riding issue is that of finance. Labour-intensive public construction programmes require other inputs than labour, and generate demands for food and non-food consumption. Thus expanded programmes, to be non-inflationary, must either be substituted for other government activity or be offset by additional taxes and saving - or be supported by additional external assistance.

65. In most developing countries, it is possible to go much further than has been attempted hitherto in raising internally the necessary resources for a public construction programme aimed at reducing poverty and unemployment. The possibilities for activating more resource raising at the local level have already been suggested. For instance, the windfall gains in land values resulting from public investment, urbanization and other forms of development have so far been very lightly tapped. Governments could impose taxes or increases in land values. Alternatively, public land commissions or corporations could systematically acquire land expected to appreciate in value and then auction part of it after substantial

appreciation has occurred. The proceeds could provide the finance for further land development programmes utilizing unemployed labour. The rest of the land could be made available to the poorer sections of the population. Thus, a public construction and land development programme conceived along these lines could be helpful both in creating more employment opportunities of a productive nature and in facilitating redistribution of the land so developed.

66. Aid-givers (including multilateral agencies) can contribute importantly, especially with flexible, general-purpose assistance, or local-cost financing, to the public-construction efforts of the developing countries. In fact, without increased assistance from the developed countries it may hardly be possible for a number of low-income countries to adopt the policies recommended at a sufficiently large scale that must surpass by far anything that has been done. This further underlines the importance and urgency of raising the level of international public aid.

67. Food aid, which at once combats both the malnutrition and underemployment associated with the direst poverty, still has potential for contributing to labour-intensive public works. This is clearly true for countries where severe food-supply constraints are still operative. Even in countries with expanding agricultures, food aid could increase the possibility of making faster inroads on poverty if other complementary (non-food) resources were sufficiently available. In such cases, however, three conditions should be fulfilled. First, the food aid should not be allowed to displace incentives to produce food domestically, whether for home or for export markets. Secondly, food aid for employment-augmenting purposes should be provided on the easiest, most flexible terms. Thirdly, the developing countries which are, or could become, food exporters should, through multilaterally funded programmes, be given the priority to become suppliers of food-aid commodities to other developing countries.

G. Education and training

68. Education, together with manpower training, presents many faces to those attempting to design a development strategy against mass poverty. Education is a form of both consumption and investment. A greater measure of education, if well programmed, can provide one component of the more equal opportunities to social groups and individuals that a policy to alleviate poverty is designed to achieve. Education is also a labour-intensive activity; and if it can be appropriately staffed, educational expansion can itself have attractive direct employment-creating effects. In what is a far more critical consideration for the developing countries with scarce resources, however, education and training also are key investment activities. Their generation of skills and development of human capacities are essential counterparts of physical investment and technological infusions.

69. In many developing countries at present, the existing educational systems are producing large numbers of the "educated unemployed" - that is, candidates for white-collar, especially non-technical, jobs but who cannot find them. As a result, many literate youth are deeply frustrated. The same systems are making only weak inroads on the functional illiteracy of the masses and are often falling short in developing the middle-level, partly manual, skills required by modernizing economies. Combinations of misdirected curricula, archaic administration, stretched budgets, low salaries, and lack of perceived achievement often erode teacher morale and lead to inferior instructional staffs.

70. Despite these problems - and very possibly because of the variety of faces education does present to development policy makers - there is little agreed doctrine as to needed reforms. In the context of the present report, the Committee sees a number of implications for the problems of mass poverty and unemployment which are touched upon below.

71. In many developing countries primary education is extremely inadequate. In some cases this is partly due to the claims being placed on total educational resources by the comparatively large numbers admitted to conventional types of middle and higher education. Often, primary schooling has little relevance to the immediate lives and environment of the youngsters. Primary schools, like succeeding layers in the educational hierarchy, are preoccupied with qualifying a minority of students for graduation to the next educational level. As a result the rate of "wastage" or "drop-outs", especially among disadvantaged students, is very high. In turn, lacking both vocational training and functional literacy, poor children tend to be locked into inferior economic status. Every effort should be made to break this cycle by making primary schooling more useful for those for whom it will be terminal, thereby raising retention rates through the primary years, and, for one thing, contributing to mass literacy.

72. Many educational systems need to place a heavier and more realistic accent on vocational training, not only in their lowest formal levels but throughout their structures. This may take a variety of forms, including formal schools, institutes, and programmes of vocational training. Much of it, however, may sensibly take the form of on-the-job training and, more broadly, of the various kinds of "non-formal" education in which there is now increasing interest.

73. Varieties of non-formal adult education have a significant role to play, vis-à-vis the minimal literacy and skills that will be required for many of the types of labour-intensive production necessary for a vigorous drive against poverty. Provision needs to be made for enabling early school drop-outs to opt back into the semi-skilled labour force.

74. Where there are conjunctions of teacher shortages with educated unemployed, adaptive training should enable some of the latter to become effective educational manpower. At the same time, efforts will be in order to upgrade, in some countries, the incomes and status of teachers and to find, generally, in developing countries new techniques that can multiply their instructional impact - but by labour-intensive methods, not teaching machines.

75. In the public construction programmes discussed in the preceding section, there is a very considerable potential for matching up requirements for skilled and semi-skilled technical, planning, and managerial personnel with supplies of educated manpower. The demands will be large and widely spread. The supplies will need adapting and, often, personnel will need special encouragement to move from the towns into the countryside. But it will be highly important to fit the two together.

76. The needs of a policy to combat poverty and unemployment only underscore more sharply what is evident in development planning as a whole: the need for making sensible manpower and educational programming an integral part of the general planning process. Such manpower programming seldom can be simple or mechanical, and it must be continually and flexibly revised. But, especially in a context where most resources, including trained human resources, are painfully scarce, a close articulation between educational investments and broad development goals is essential.

H. Health and other service activities

77. The provision of basic health services also has a direct bearing on the problem of mass poverty provided such services are geared to meeting the needs of the under-privileged. As by far the largest segment of the population of most developing countries derives its livelihood from rural activities, it is particularly important to expand health services in villages. Many of the health needs could be met by nurses and by auxiliary staff who do not require long periods of professional education and training, although a certain minimum number of medical personnel at the supervisory level would be necessary. The public should also contribute to the health services through part-time voluntary work.

78. Health services need to be adequately equipped to make available the necessary knowledge and assistance to the poorer sections of the population that could enable them to plan the size and spacing of their families. The problem of mass poverty would be much less striking if the average size of families were smaller. The family planning programmes undertaken by Governments of developing countries deserve support by the world community.

79. There are many other service activities which provide means of livelihood to a great many people. Many of them - in transportation, banking and commerce, for example - serve as essential ingredients of the development process. Their possibilities need to be fully explored in the drive against poverty and unemployment. There are other activities - such as petty trade and crafts and personal services - which yield barely, or even less than, subsistence living, and it is among the persons engaged in such occupations that the worst cases of malnutrition and poverty are found. The energies of persons engaged in such activities need to be harnessed, through supplementary work, in more productive tasks. Perhaps the most significant characteristic of service activities is that they generate self-employment. It should be an aim of development policy to promote such employment and to direct it towards the attainment of desired national objectives.

80. It is generally overlooked that a large proportion of the persons occupied in low productivity service occupations are women, and many of them are widows and deserted women with children. Nearly all such women are illiterate and without any vocational training. As industries in most developing countries recruit mainly male workers, these women are forced to support themselves and their families on work of such low productivity that malnutrition and high child mortality become a characteristic of such families. The solution to this type of acute poverty must be found in helping women to obtain higher incomes by opening the doors to industrial and other wage-earning jobs and by training them for more skilled work. In many cases their lot can be improved by means of co-operatives which help them to obtain better incomes.

81. Developing countries need to be innovative in tapping possibilities of additional employment. In some countries, for instance, tourism might be made to yield handsome dividends in terms of both additional employment and foreign exchange. But the promotion of tourism should not be undertaken casually. It may in some cases entail considerable infrastructure and other investments, and all of its cultural consequences may not be judged benign. However, developing countries will do well to carefully examine the scope for tourism. Where they find its potential persuasive, they should consider the expansion of accommodation to suit the incomes

and tastes of different groups of people, the provision of better domestic transportation and the organization of efficient marketing and shipment of the local products purchased by foreign tourists. Certain types of technical assistance from abroad may be particularly helpful in enlarging the contribution that expanded tourism can make directly and indirectly to the growth of employment opportunities.

I. Needed international contributions: trade

82. Foreign trade is of fundamental importance for developing countries. In many of these countries exports constitute a large proportion of total output, and in such cases an expanding export trade is crucial for raising the levels of output and employment. Even in countries where the share of exports in total output is modest, the significance of a buoyant export trade remains large by virtue of the means it provides to enlarge the supply of imports needed for accelerated development. Although the export earnings of the developing countries as a group have increased in recent years, the increases have been small compared to those of the developed countries, and the share of the former group in world trade has continued to decline. In a number of developing countries, the level of export earnings has remained virtually stagnant. In others, export earnings have grown little or no faster than import prices, thus leaving the capacity to import almost unchanged. The inability to sustain the required flow of imports is often a serious hindrance to the implementation of development programmes designed to alleviate poverty and unemployment. These trends need to be reversed. The problems posed by such trends are, at the time of the preparation of the present report, under discussion at the third session of the United Nations Conference on Trade and Development (UNCTAD). The Committee hopes that important results will emerge from those discussions. Meanwhile, it ventures to put forward some remarks of its own.

83. The current world trading relationships are not conducive to resolving the growing problems of mass poverty and unemployment in the developing countries. The continuation of those relationships would contribute to the perpetuation of all the essential features of the present situation which continues to be burdened with the following: trade restrictions relating to basic commodities; the maintenance of subsidies, variable price systems and other forms of agricultural protectionism; the exclusion of agricultural products by means of measures applied by regional groupings; export subsidies for agricultural items; the failure to conclude new commodity agreements with their beneficial effects on prices; tariff differentials which impede the entry of semi-processed and finished products; the application of quotas; the use of escape clauses and buyer-imposed international agreements to limit trade in certain products; and reverse preferences. Such devices not only often ignore the letter and the spirit of international commitment, they gravely reduce the export potential of the developing countries generally in their labour-intensive sectors and, consequently, diminish their ability to stimulate employment. While the general system of preferences of a number of industrialized countries in favour of the developing countries which has now begun to be applied constitutes a step in the right direction, it needs to be extended to embrace a wider range of goods, including agricultural products. It also needs to be implemented by all economically-advanced nations. Furthermore, there is a need for urgent action to deal with the difficulties of countries dependent upon the exports of primary commodities, particularly the problem commodities exposed to adverse price developments in the world markets.

84. Trade problems and their solutions have been studied intensively at the technical and intergovernmental level. Similarly, rules which would substantially improve the trade position of the developing countries have been in existence for some time and the international community's support of them in principle has been expressed in many forums. However, the most important thing remains to be done, namely, to apply the norms that have been proclaimed. The perpetuation of this neglect is extremely harmful to developing countries. Industrialized nations should comply fully and quickly with existing commitments and then go on to further and significant liberalization of their imports from the developing countries. It needs to be remembered that the developing countries will have to expand their exports to the industrialized nations in order to be able to import the required goods and to service the debt owed to them.

85. As has been noted, the restructuring of the industrialized economies to facilitate imports from the developing countries is not a simple process, since it involves changes in agricultural and industrial policies and retraining and transfer of labour. However, this is part of the normal course of the economic development process and has to be accepted as such. Progress in this field can best be attained when high levels of employment are successfully maintained in developed countries and when comprehensive adjustment assistance measures are in force. Adoption of such policies in the economically-advanced countries would enable developing countries to foster a more rational, efficient - and labour-intensive - pattern of development.

86. Developing countries need to reform their internal policies where they hamper the expansion of their exports, and in many cases they need to be more enterprising in their export-promotion efforts. The actions of developing countries on the international level should also be better co-ordinated towards mutual assistance for the purpose of making better use of their human and material resources. This can be done in various ways - for example, through the adoption of joint policies to strengthen the position of individual primary commodities on the world market, through trade preferences, through special arrangements for trade promotion and through different types of integration leading to product specialization and thus to sounder technologies.

87. Developing countries need to agree on the reciprocal application among themselves of many of the principles which they are now pressing the developed countries to adopt. If they fail to recognize that the merits of an international division of labour apply among developing countries themselves, they will be imposing on one another the very same protectionist and inequitable policies that they object to in world trade.

J. Needed international contributions:
concessionary finance

88. In the case of the poorer developing countries a successful attack on mass poverty and unemployment can hardly be launched and maintained on an adequate scale without more financial aid from abroad. This applies especially to the poorest countries where very low incomes and hence, in many cases, the inadequacy of their financial resources will otherwise result in budgetary deficits, which will in turn impinge on the balance of payments. There is also a possibility that the greater equality of consumption, envisaged in this report, will reduce private

savings with similar effects. Thus, although the direct import content of labour-intensive programmes should be very small, there is as much need for foreign support as in the case of modern projects.

89. Moreover, the objective of a high rate of economic growth cannot be abandoned, even in those developing countries which have reached moderately good levels of per capita income. In the longer run, high levels of investment remain a precondition of increases in output and employment. Even on reasonably optimistic assumptions about investment and output, it appears that the employment problem will continue to be pressing in many developing countries during the 1970s and 1980s. This prospect reinforces the call for more international aid.

90. Recent trends go in the wrong direction. Although in terms of the per capita dollar amount received by the developing countries there has been no reduction of assistance, it has dropped considerably by comparison with the gross national product of the developed countries, with the value of world trade and with the decreasing purchasing power of the monetary unit generally used to measure it. Some economically-advanced countries have substantially increased their flow of financial resources to the developing world, and have equalled or exceeded the target indicated in the International Development Strategy for the Second United Nations Development Decade, namely, an amount equal to 1 per cent of their gross national product; but as a group, the net financial flows, official and private, from the developed countries members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development, expressed as a ratio of their gross national product, declined from 0.81 per cent in 1960 to 0.71 per cent in 1970. The net official development assistance from the same group of countries, again expressed as a ratio of their gross national product, declined from 0.47 per cent in 1960 to 0.33 per cent in 1970. This has to be seen against the fact that the target laid down in the International Development Strategy calls for a net flow of official development assistance from the developed countries equal to 0.7 per cent of their gross national product. In the aggregate, thus, the net financial flows to the developing countries are moving away from the stated objectives of the Strategy. The decline in the share of grants and "soft" loans and the hardening of terms of other forms of external finance have serious implications for mounting an attack on mass poverty and unemployment in the developing countries. Furthermore, the influence of geographical considerations in the granting of assistance, of tied aid and of private investment flows alters very substantially the aims, nature and effects of external finance.

91. The relative shortage of concessionary finance not only affects the current allocation of financial flows but also threatens to create debt management problems in the future. Many developing countries have already reached a level of external debt and debt service where they can take on only marginal amounts of loans from abroad on anything but concessionary terms. These countries, which have serious problems of mass poverty and unemployment, are now almost wholly dependent upon grants and "soft" loans from official bilateral and multilateral lending institutions. Other developing countries that are currently relying heavily upon export credits and other loans on relatively hard terms are likely to encounter difficult problems of debt management if present tendencies continue. The trend towards a decline in the level of concessionary finance - grants and "soft" loans - is therefore especially disquieting.

92. Every advantage thus needs to be taken of such political opportunities for reversing this trend as may be opened up. One such opportunity is offered by the need to increase the world's monetary reserves. Proposals have been discussed for a number of years regarding the establishment of a link between the Special Drawing Rights (SDR) of the International Monetary Fund and the flow of development assistance. In the past, many who were in principle sympathetic to the idea of such a link believed that the appropriate time for giving it serious consideration would be after it had been established on a sound basis. Such a time has now come. The initial period of three years of SDR allocations ends in 1972, and decisions regarding the next period will be made during this year. In this connexion, the proposals of UNCTAD for the creation of a link deserve particular attention. In any event, the present opportunity for giving most serious consideration to the possibility of increasing development finance without impairing the primary international monetary purposes of the SDR arrangement should not be missed.

93. Another opportunity is offered by the enlargement of the European Economic Community. It is clearly anticipated that this will benefit old and new members alike; but at the same time it is likely to hurt some developing countries, as a result of increased mutual trade between EEC members in some commodities which might otherwise have been procured from developing countries. This should be compensated for by increased aid to those countries which may be harmed. Although the interests of the producers of some commodities, for example, sugar, may have been looked after, this does not apply to all.

94. The desirable structure of international aid will also be affected by measures taken in developing countries to increase the demand for unskilled labour, and donors should be prepared to make the necessary qualitative and quantitative improvements in their aid programmes. Labour-intensive activities in agriculture and construction do not lend themselves easily to "projectization" along traditional lines. Aid given (including multilateral institutions) should adopt more flexible approaches. This is particularly true with respect to financing a large part of local costs as well as import requirements and with respect to financing sectoral and problem-oriented programmes, such as those designed to counter unemployment, as well as specific infrastructure requirements.

95. Mass poverty is most pronounced in the least developed countries and some other developing countries which were not so classified because of the size of their industrial base and their educational attainments. Aid to such countries should be largely in the form of grants, except where a rich resource endowment or other natural advantage might justify debt repayment.

K. Poverty and environment

96. The links between the strategy directed at conquering world poverty and unemployment, on the one hand, and the world concern for the protection of the natural environment, on the other, should be recognized. There is a view that, with respect to international development, the two issues are competitive and that concentration of the concern of the world community on the environmental issue may divert attention from the problems of poverty. Both these issues are crucial for world progress and they deserve the highest attention of the world community; far from being competitive, they need to be considered as complementary and mutually-supporting.

97. While the current concern with environmental issues largely arises out of the problems experienced by the highly industrialized countries - problems such as pollution - the developing countries are interested in these issues in so far as their impact is global and the environmental policies of the industrialized countries have implications for the developing countries in the spheres of international trade, aid and the transfer of technology. It is the common interest of mankind in the coming decades to formulate global development strategies and take more and more efficient measures for their implementation, in order to achieve a more balanced social and economic development throughout the world and a more harmonious relationship between man and nature. In particular, if as a consequence of environmental concern, a slower rate of growth of industry in the developed countries reduces the demand for those materials which are a large part of the exports of a number of developing countries, then some attention must be given to means of compensating the low-income countries affected. Otherwise one kind of pollution will be reduced only by increasing other kinds, those associated with extreme poverty (see para. 99).

98. In some cases, damage to the environment is a result of the rapidly growing population; in other cases, it results from the uncontrolled growth of industry and from certain consumption patterns. The damage appears particularly severe for regions of great concentrations of population and industrial activities. The regions of the world experiencing the highest economic standards are those which suffer from the grave deterioration of the environment, so that the high consumption of material resources per head of population does not lead to a corresponding increase in the quality of life.

99. It is now being widely recognized, specially in the context of the preparations for the Conference on Human Environment to be held at Stockholm in June 1972, that the environmental problems of the developing countries are largely of a different kind to those experienced by the richer countries. The richer countries are facing the adverse environmental repercussions brought about by a high level of development. The developing countries themselves undoubtedly encounter some of the environmental problems that accompany the development process, and these are likely to intensify as development proceeds. But for the greater part, the environmental problems of developing countries are those that arise from lack of development. These are the environmental problems of poor societies - problems that arise from unhygienic water supplies, bad housing, lack of sanitation, inadequate nutrition, sickness and disease, and so on. These are but aspects of mass poverty and can only be remedied by the process of development itself.

100. Concern with the environment is still too recent for a full and comprehensive assessment to be made of its consequences for world trade, mass poverty and development. But it is clearly necessary to avoid the danger of still higher levels of protection being adopted by the developed countries on the ground that environmental safeguards raise production costs in those countries vis-à-vis costs in developing countries.

101. It cannot be expected that the environmental problems of poor societies will be overcome automatically, as a by-product of economic growth. On the contrary, it is necessary to ensure that development strategy aims at a direct and frontal attack on these problems. The concern for environment in poor societies is a facet of the concern with mass poverty. It calls for development policies and planning apparatus that are sensitive to the human conditions in both the urban and the rural areas. It is an integral part of the approach to development strategy reflected in the present report.

II. PREPARATION FOR THE BIENNIAL OVER-ALL REVIEW AND APPRAISAL OF PROGRESS IN IMPLEMENTING THE INTERNATIONAL DEVELOPMENT STRATEGY

102. In the light of the mandate set out in the International Development Strategy for the Second United Nations Development Decade, the Committee has been preparing itself for the task of making comments and recommendations that may be of assistance to the Economic and Social Council in discharging its responsibility as regards the biennial over-all review and appraisal of progress in implementing the strategy during the Decade. It is appreciative of the fact that, in resolution 1625 (LI) of 30 July 1971, the Council approved a number of the suggestions put forward in this connexion in the report of the Committee on its seventh session. 1/ The enlargement of the membership of the Committee and other organizational aspects approved by the Council will greatly facilitate the work of the Committee.

103. The decisions of the General Assembly contained in resolution 2801 (XXVI) of 14 December 1971, have clarified the requirements of the biennial over-all review and appraisal of progress. The request made by the General Assembly to competent secretariats at the sectoral and regional levels to co-operate with the Committee in the fulfilment of its task by collecting, processing and making available the necessary data and information is thoughtful and gratifying. The co-operation extended to the Committee since its inception by the organizations of the United Nations system and a number of other intergovernmental organizations has been very helpful, and there is no doubt that it will continue to be so in the future.

104. For making comments and recommendations relating to the biennial over-all review and appraisal of progress during the Decade, the Committee will draw upon the reports and documentation requested from the Secretary-General by the General Assembly and upon such regional and sectoral appraisals as are available in time for the Committee to complete its work. The Committee intends, in its report on the subject, to focus attention on major problems and policy issues. It is intended to prepare a relatively brief report as this may enhance its possible usefulness for intergovernmental organs. Furthermore, the need to present the relevant material in a manner that can help to mobilize public opinion in favour of the objectives and policies for the Decade will be borne in mind.

105. The sequence of meetings of the bodies concerned with the first over-all review and appraisal of progress, to be undertaken in 1973, indicates that there are only a few months left to complete the required technical work. The Committee is giving thought to the formulation of an outline of its report to be submitted in 1973 and has initiated the necessary research for the preparation of the report. Members of the Committee will keep themselves abreast of relevant economic and social developments so as to be ready for the task ahead. The Committee will use the machinery of its plenary sessions and of its Working Groups to fulfil its responsibility in time for the intergovernmental deliberations in 1973.

1/ Official Records of the Economic and Social Council, Fifty-first Session, Supplement No. 7, paras. 35-40.

106. In the light of the responsibilities of the Committee and its growing programme of work in the fields of both review and appraisal and of development planning and policies, the Committee feels the need for strengthening the substantive servicing facilities available to it. It therefore suggests the establishment of a small secretariat of the Committee within the Centre for Development Planning, Projections and Policies. The Committee understands that such a proposal is feasible from a financial and organizational point of view. It requests its Chairman to pursue this matter with the Under-Secretary-General for Economic and Social Affairs with a view to establishing such a secretariat as early as possible.

107. As the Committee has emphasized on earlier occasions, the improvement of statistical information required for development planning and appraisal of development progress requires urgent attention. It has learnt with interest that the Working Group on International Statistical Programmes and Co-ordination, established by the Statistical Commission, gave thought at its third session, held in 1971, to the statistical requirements of the Second United Nations Development Decade (E/CN.3/419 and Corr.1) and that this subject will form an important item of the agenda of the Statistical Commission at its next session. Statistical work needs to be expanded both in the developing countries and in the United Nations system. As stressed earlier, particularly urgent is the need for improving data on income distribution, basic consumption and employment in the developing countries, so as to permit better judgements about dimensions of poverty and the policies required to cope with it. Technical co-operation for improving such statistics should be strengthened.

108. Statistical work is often of a long-term nature, requires highly skilled staff and is costly. Decisive improvements can be secured only stage by stage, and a choice among priorities has necessarily to be made. A dialogue between producers and users of data is needed to help make such a choice. It was for this reason that the Committee broached, in the report on its seventh session, the possibility of establishing a joint Working Group with the Statistical Commission. ^{2/} An alternative procedure might be to invite some members of the Committee to attend the relevant meetings of the Statistical Commission or of its Working Group on International Statistical Programmes and Co-ordination. The Committee suggests that the report on its present session be made available to the Statistical Commission at its fourth session when it may wish to consider this matter during its deliberations on statistical requirements of the Second United Nations Development Decade. The report should also be made available to the Working Group on International Statistical Programmes and Co-ordination which will meet in advance of the next session of the Statistical Commission.

^{2/} Ibid., para. 25.

III. MATTERS REFERRED BY THE ECONOMIC AND SOCIAL COUNCIL

A. Identification of the least developed among the developing countries

109. In accordance with the request contained in General Assembly resolution 2768 (XXVI) of 18 November 1971, the Committee will continue the review of criteria for the identification of the least developed among the developing countries. It will consider this subject as part of its work on the review and appraisal of progress during the Second United Nations Development Decade. Meanwhile, it has requested the Centre for Development Planning, Projections and Policies to furnish it in due course with the updated statistical information on the economic and social variables relevant for this purpose and an account of the work on such criteria carried out by organizations of the United Nations system and by other interested organizations in formulating programmes of action in their areas of competence.

B. Reports to the Economic and Social Council

110. With regard to the preparation of reports to the Economic and Social Council, the Committee has taken note of the principles set forth in paragraph 3 of General Assembly resolution 2836 (XXVI) of 17 December 1971 and of the analogous guidelines laid down in section III of Council resolution 1623 (LI) of 30 July 1971. As in its previous reports, the Committee will endeavour to present action-oriented statements and recommendations as appropriate to discussions of development policies at the national and international levels.

C. Journal of Development Planning

111. In accordance with General Assembly resolution 2886 (XXVI) of 21 December 1971 and the request made by the Economic and Social Council at its 1810th meeting, held on 6 January 1972, the Committee has examined the comments on the Journal of Development Planning contained in paragraphs 148 to 152 of the report of the Joint Inspection Unit on the programme of recurrent publications of the United Nations (A/8362). It may be recalled that the Committee, in the report on its first session, had recommended that, as a means of providing assistance for development planning at the national level, "a United Nations journal be published to disseminate more widely the knowledge and experience on different elements of development planning". 3/ The recommendation was reiterated in the report on its second session. 4/ Accepting the recommendation of the Committee, the Economic and Social Council adopted resolution 1259 (XLIII) in which, inter alia, it requested the Secretary-General to undertake the necessary action for the "early publication of a periodical containing articles and information for the use of

3/ Ibid., Forty-first session, Supplement No. 14, para. 16 (d).

4/ Ibid., Forty-third session, Supplement No. 7, para. 90.

planners and policy-makers in developing countries". Publication of the Journal of Development Planning was started in response to that decision of the Council.

112. The Journal is designed to serve as a vehicle for disseminating to a larger reading audience the development planning work carried out in the United Nations Secretariat in connexion with the meetings of the Committee and of relevant intergovernmental bodies. The three issues of the Journal published to date have included a number of the papers prepared for the sessions of the Committee and the interregional seminars organized by the United Nations for the benefit of planning officials of developing countries. With the expansion of the Committee's work, the need for the Journal as a means of bringing to the attention of development planners and policy-makers relevant analyses and information emanating from such work and other activities of the United Nations has become all the more great. The Committee therefore believes that the Journal should be continued.

113. The Journal should not be of an academic character. It should focus on major problems and issues that have a bearing on development planning and policy. The research undertaken in connexion with the aspects of planning discussed at the sessions of the Committee should continue to provide some papers that could usefully be given a wider circulation through inclusion in the Journal. The work on reviews and appraisals of progress should also yield material of interest to planners and policy-makers. In addition, material based on the field experience of planning experts within and outside the United Nations system should prove suitable for publication. Furthermore, it would be useful to include information about publications on various aspects of development planning. The Committee will await with interest the future issues of the Journal.

IV. ARRANGEMENTS FOR FUTURE WORK

114. The immediate thrust of the Committee's work will be on the task entrusted to it as regards the over-all review and appraisal of progress during the Second United Nations Development Decade. The Committee had originally intended to hold two sessions in 1973, both devoted to this task. It has now come to the conclusion that a more efficient way of discharging its responsibility will be to hold one session only in the coming year but convene in advance of the session a Working Group to pave the way for completion of the task at the session. The session of the Committee in 1973 and the meetings at the Working Group level prior to that will be devoted exclusively to the preparation of comments and recommendations relating to the review and appraisal of progress. The Committee requests its Chairman, in consultation with members and the Secretariat, to initiate arrangements in due course for the convening of the Working Group.

115. The Chairman of the Committee has undertaken to prepare an outline of the report to be presented to the Economic and Social Council in 1973. Members of the Committee have been invited to send him their suggestions. The Chairman will circulate to the members the draft outline for comments in advance of the meetings of the Working Group mentioned in the preceding paragraph.

116. After completing its comments and recommendations relating to the first over-all review and appraisal of progress during the Decade, the Committee will take up some other aspects of its work. It intends to convene meetings at the Working Group level for this purpose during the latter part of 1973.

ANNEX

LIST OF DOCUMENTS

<u>Symbol</u>	<u>Title</u>
A. <u>Documents of the Committee</u>	
E/AC.54/10	Provisional agenda
E/AC.54/L.42	The public works approach to low-end poverty problems - The new potentialities of an old answer: paper prepared by John P. Lewis, member of the Committee
E/AC.54/L.43	Some elements in the strategy of employment promotion in developing countries: paper prepared by the International Labour Office
E/AC.54/L.44	Measuring the adequacy of employment in developing countries: paper prepared by the International Labour Office
E/AC.54/L.45 and Add.1	Aspects of international trade and assistance relating to the expansion of employment in the developing countries: document prepared by Julio A. Lacarte, member of the Committee
E/AC.54/L.46 and Add.1-2	Preparatory work relating to the review and appraisal of progress in implementing the International Development Strategy for the Second United Nations Development Decade: information supplied by organizations of the United Nations system
E/AC.54/L.47	Employment strategies and poverty-reduction policies of developing countries - Problems and issues in the light of experience in development planning: paper prepared by the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs of the United Nations Secretariat
E/AC.54/L.48	Arrangements concerning the first over-all review and appraisal of progress in implementing the International Development Strategy for the Second United Nations Development Decade: note by the Secretary-General
E/AC.54/L.49	Matters referred by the Economic and Social Council: note by the Secretary-General

E/AC.54/L.50	Attack on mass poverty and unemployment: report of a Working Group of the Committee for Development Planning
B. <u>Other Documents</u>	
A/RES/2768 (XXVI)	Identification of the least developed among the developing countries
A/RES/2801 (XXVI)	Review and appraisal of the objectives and policies of the International Development Strategy for the Second United Nations Development Decade
A/RES/2836 (XXVI)	Publications and documentation of the United Nations
A/RES/2886 (XXVI)	Programme of recurrent publications of the United Nations
A/8362	Report of the Joint Inspection Unit on the programme of recurrent publications of the United Nations
E/RES/1621 C (LI)	Machinery for review and appraisal
E/RES/1623 (LI)	Organization of the work of the Council
E/RES/1625 (LI)	Committee for Development Planning
E/SR.1810	Summary record of the one thousand eight hundred and tenth meeting of the Economic and Social Council
E/5040	A system of over-all review and appraisal of the objectives and policies of the International Development Strategy: report of the Secretary-General
E/CN.3/419 and Corr.1	Report of the third session of the Working Group on International Statistical Programmes and Co-ordination
ST/ECA/114	<u>Journal of Development Planning, No. 1</u> (United Nations publication, Sales No.: E.69.II.B.24)
ST/ECA/129	<u>Journal of Development Planning, No. 2</u> (United Nations publication, Sales No.: E.70.II.A.1)
ST/ECA/145	<u>Journal of Development Planning, No. 3</u> (United Nations publication, Sales No.: E.71.II.A.19)

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