



**COMMITTEE FOR DEVELOPMENT PLANNING**  
**REPORT ON THE TWELFTH SESSION**

**(29 March - 7 April 1976)**

**ECONOMIC AND SOCIAL COUNCIL**

**OFFICIAL RECORDS: SIXTY-FIRST SESSION**

**SUPPLEMENT No. 6**

**UNITED NATIONS**



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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.

Use of a hyphen (-) between dates representing years, e.g., 1971-1975, signifies the full period involved, including the beginning and end years.

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

Annual rates of growth refer to annual compound rates.

E/5793

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## INTRODUCTION

1. The Committee for Development Planning held its twelfth session at United Nations Headquarters in New York from 29 March to 7 April 1976. Seventeen members of the Committee attended the session: H. C. Bos, Ester Boserup, Nurul Islam, Saeb Jaroudi, V. N. Kirichenko, Janos Kornai, Y. Z. Kyesimira, Julio A. Lacarte, John P. Lewis, Alister McIntyre, Saburo Okita, H. M. A. Onitiri, Józef Pajestka, Giuseppe Parenti, K. N. Raj, Germánico Salgado and Leopoldo Solis.

2. The officers of the Committee, elected at the eleventh session for a term ending on 31 December 1977, are:

Chairman: Germánico Salgado

Vice-Chairman: Janos Kornai

Rapporteur: John P. Lewis

3. The Committee expressed regret that Mr. Chedly Ayari, Mr. Paul Kaya, Mr. J. H. Mensah, Mr. Jean Ripert and Mr. Widjojo Nitisaastro were not able to participate in its deliberations. It took note of the fact that Mr. I. M. D. Little had recently joined the staff of the World Bank and had therefore, following the customary procedure in this respect, relinquished his membership of the Committee. The Committee expressed appreciation for the valuable contribution made by Mr. Little to its work during the four years he served as its member.

4. Substantive services at the session were provided by the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs of the United Nations Secretariat. The Committee was also assisted by representatives of the Economic Commission for Europe, the Economic and Social Commission for Asia and the Pacific, the Economic Commission for Latin America, the Economic Commission for Africa, the Economic Commission for Western Asia, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the United Nations Development Programme, the International Labour Organisation, the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization, the World Bank, the International Monetary Fund, the Organisation for Economic Co-operation and Development and the Organization of American States.

5. The Committee adopted the following agenda:

1. Adoption of the agenda
2. New approaches to transfer of resources to developing countries (including discussion of debt problems and mechanisms for resource transfers)
3. Hard-core developing countries and related policy issues

4. Matters referred by the General Assembly to the Committee
5. Arrangements for future work
6. Adoption of the report of the Committee to the Economic and Social Council

6. The Committee's deliberations were greatly facilitated by the preliminary drafts and notes prepared by its Working Groups. The Working Group on New Approaches to Resource Transfers to Developing Countries - comprising Chedly Ayari, Nurul Islam, Saburo Okita, H. M. A. Onitiri, Józef Pajestka and Leopoldo Solis (Chairman) - met from 1 to 4 December 1975. The Working Group on Hard-Core Developing Countries and Related Policy Issues - comprising Ester Boserup (Chairman), L. R. Jayawardena (co-opted member) and Y. Z. Kyesimira - met from 8 to 12 December 1975. The Committee expressed appreciation for the helpful contribution made by the Working Groups.

7. For deliberations relating to items 2 and 3 of the agenda, in addition to the preliminary drafts and notes prepared by the Working Groups, the Committee had before it eight substantive papers prepared specifically for the session: "Foreign aid and development needs" (E/AC.54/L.80), prepared by the Secretariat; "Developing countries and levels of development" (E/AC.54/L.81), prepared by the Secretariat; "External finance for development: recent experience and its implications for policies" (E/AC.54/L.82), prepared by the Secretariat; "New mechanisms for the transfer of resources to developing countries" (E/AC.54/L.83 and Corr.1), prepared by Nurul Islam, member of the Committee; "Transfer of resources from developed to developing countries" (E/AC.54/L.84 and Corr.1), prepared by Saburo Okita, member of the Committee; "Problems and policies of the hard-core developing countries of Africa" (E/AC.54/L.85) prepared by Y. Z. Kyesimira, member of the Committee; "Economic growth and main streams of production: some basic problems in hard-core developing countries" (E/AC.54/L.86), prepared by the Secretariat; "Problems and policies relating to hard-core developing countries of Asia" (E/AC.54/L.87 and Corr.1), prepared by T. N. Krishnan, consultant. Although the analyses and conclusions put forward in the papers are a reflection of the views held by their authors and not necessarily by the Committee as a whole, the papers substantiate many of the points discussed in the present report. Accordingly, the Committee transmits these eight papers to the Economic and Social Council to serve as background material when the Council examines the report at its sixty-first session.

8. The Committee particularly wishes to draw the attention of the Economic and Social Council to a monograph entitled Poverty, Unemployment and Development Policy: A Case Study of Selected Issues with Reference to Kerala.<sup>1/</sup> This monograph was commissioned from the Centre for Development Studies, Trivandrum, India, by virtue of the authorization provided to the Committee by the Economic and Social Council in its resolution 1625 (LI) of 30 July 1971. It may also be recalled in this connexion that, in its resolution 1727 (LIII) of 28 July 1972, the Council had invited the Committee to continue its work on the question of elimination of mass poverty and unemployment with a view to recommending, as a

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<sup>1/</sup> United Nations publication, Sales No. E.75.IV.11.

follow-up on the report on its eighth session, 2/ further measures in this regard. The monograph, along with the recommendations put forward by the Committee in the reports on its ninth, tenth, and eleventh sessions, 3/ as well as in the present report with regard to item 3 of the agenda, is intended to be a part of its response to that invitation.

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2/ Official Records of the Economic and Social Council, Fifty-third Session, Supplement No. 7.

3/ Ibid., Fifty-fifth Session, Supplement No. 5; ibid., Fifty-seventh Session, Supplement No. 4; ibid., Fifty-ninth Session, Supplement No. 4.

## I. DEVELOPMENT TRENDS, RESOURCE TRANSFERS AND DEPRESSED REGIONS OF THE WORLD

### A. The International Development Strategy: performance, prospects, changes

9. In planning for its twelfth session, the Committee for Development Planning chose to concentrate on two related topics: first, the condition and problems of transfers to developing countries, and secondly, the plight of the poorest countries, which are largely gathered in two principal depressed regions of the world. Accordingly, working groups of the Committee together with the secretariat and consultants prepared materials for the twelfth session on these subjects.

10. Subsequently, however, the General Assembly, in its resolution 3517 (XXX) of 15 December 1975, invited the Committee to do two things: provide projections for the remainder of the Second United Nations Development Decade; and, as appropriate, to offer proposals for revision of the goals and objectives of the International Development Strategy for the Second United Nations Development Decade (General Assembly resolution 2626 (XXV) of 24 October 1970). In fact, the Committee's response to those invitations can provide a useful introduction to the two topics it had originally selected.

#### 1. The development situation and prospects

11. In one sense the Committee's response to the request for projections to 1980 must be very limited. Although some of the component agencies and units of the United Nations system have or are developing working forecasts of developing-country activity and international transactions in their sectors of interest, the Committee qua Committee has not had sufficient time, prior to or during the twelfth session, to develop careful quantitative projections it could fairly call its own. On the other hand, the analysis of the current development situation and prospects for the remainder of the 1970s that the Committee provided in its report on its eleventh session as its contribution to the mid-decade review and appraisal remains largely valid. Moreover, the Committee can and herewith does bring up to date its broad assessment of the present position of the developing countries and of international efforts in their behalf. Further, circumstances are such that, once this current position is in view, it is not difficult to assess rest-of-the-decade prospects relative to Second Development Decade goals - albeit, not precisely.

12. In the over-all sense performance is disappointing. Aggregate growth in the developing countries themselves has been close to the target of 6 per cent average annual real growth of gross domestic product, but it has been tailing off ominously. After a fast start in the first three years of the decade, the rate declined in 1974, further in 1975, and prospects for the following two years are not bright. Preliminary estimates for 1971-1975 indicate an average annual growth of 5.5 per cent, a rate no better than that achieved in the 1960s.

13. Sectorally, moreover, the aggregate growth has been poorly balanced. Although the industrial growth of the third world as a whole has been fairly buoyant,



agriculture is estimated to have made good an annual output growth of only 2 to 2.5 per cent in 1971-1975, compared with an annual rate of nearly 3 per cent in the 1960s and a Second Development Decade target of 4 per cent. Even if agriculture in developing countries were to make good 4 per cent annual growth during the balance of the decade, this would mean an annual average over the decade as a whole of a little more than 3 per cent in total agricultural output, or - given a yearly population growth rate of about 2.5 per cent - an average annual per capita growth rate of less than 1 per cent. Moreover, lower output projections for the rest of the decade may be more realistic, suggesting for the third world as a whole a 10-year agriculture performance that barely keeps pace with population.

14. Worse still are the widening disparities among the developing countries, which the Committee has emphasized in each of its recent reports. The position of the poorest countries continues to worsen relatively. So long as it does, the International Development Strategy's promise of alleviating hunger and poverty in their grossest and gravest appearances remains hollow. Hence the focus of the final section of this chapter on these poorest countries.

15. Finally, compared with the targets set forth in 1970, the performance of the international community in contributing to the development process is the most disappointing of all. It is true that during the past three years the dialogue on relations between developed and developing countries has been radically transformed under the rubric of the New International Economic Order, and that these promising if turbulent changes have been triggered by a transformation in power relationships signalled by the post-1973 ascendance of the Organization of Petroleum Exporting Countries (OPEC). As the Committee discussed in its report last year, these are major and, in many respects, hopeful developments. But as yet they have not really begun to reverse a development-promoting performance by the international community that, measured against the aspirations of 1970, can only be called quite dismal. Hence the focus, in the next major section of this chapter, on the phenomenon of transfers, broadly conceived, in favour of developing countries.

16. This assessment of the position leads to some rough but confident judgements about the rest of the decade: it is not impossible that, in the most aggregative terms, growth of developing countries will nearly attain the Second Development Decade target. But, at best, agriculture will lag. The poorest countries, suffering from their inherent special inertias and their special vulnerability to declines in export prices and increases in import prices, are apt to fall yet farther behind; and many developing countries which do not export petroleum may still be in the process of recovering from the international price increases of 1972-1975. Moreover, unless there can be a veritable revolution in the political will of the world's more favoured countries between now and 1980, the international inputs into the Second Development Decade will be grossly deficient. Judged by its own standards in respect of such inputs, the Development Decade is almost sure to fail.

## 2. Should the targets be revised?

17. The Committee has been invited, "as appropriate", to propose revisions in the Second Development Decade targets. It is respectfully but strongly of the view that such proposals would not be in order. For one thing, there would be some

practical difficulties: if one were to revise targets, one would want a reliable detailed set of projections to the end of the decade. But the main reason for recommending against revision of the existing targets is one of principle. The International Development Strategy is an historical compact, made after exhaustive discussions at the technical and political levels. It contains bench-marks that the world has set itself for measuring the adequacy of its efforts in behalf of development. If, as the decade unfolds, performance begins to fall short of the targets - as it is by and large doing - the appropriate adjustment is not to revise the bench-marks; it is to revise the performance - and if the latter cannot realistically be raised all the way to the former, at least to leave the bench-marks as gauges of whatever improvement in performance can now be achieved.

18. None of this is to say that, as a programme, the International Development Strategy is static or frozen. On the contrary, it has been the Committee's repeated contention - most explicitly in the report on its eleventh session which stressed the theme of "continuity and change" <sup>4/</sup> - that the Strategy is an organic, evolving scheme. Plainly now to get the full sense of the General Assembly's programme for development, the International Development Strategy, adopted in 1970, should be read in conjunction, among others, with the Declaration and the Programme of Action on the Establishment of a New International Economic Order, adopted at the Assembly's sixth special session (resolutions 3201 (S-VI) and 3202 (S-VI)), resolution 3362 (S-VII) on Development and International Co-operation, adopted at the Assembly's seventh special session, and resolution 3517 (XXX) concluding the mid-term review and appraisal. But to undertake now to replace the 1970 document and these implicit amendments to it with a newly consolidated strategy statement for the 1970s - and, in the process, tinker with the bench-marks that were set for this decade - would strike the Committee as not being useful.

19. Instead, it is strongly recommended, in the light of what can already be confidently said about the 1970s, that the international community begin forthwith to focus attention on making the 1980s a more successful development decade. The Committee suggests that the 1977 review and appraisal exercise, instead of being mainly retrospective, not only focus on the balance of the 1970s but be made the beginning of careful and considered planning for a third United Nations Development Decade - in which context, of course, a full analysis and debate of the appropriate strategy, including targets, for the third Development Decade would be in order. Such a preparatory calendar for the third Development Decade should be adopted throughout the United Nations system. The Committee looks forward eagerly to participating in such an effort.

### 3. Blocking factors

20. The present outlook for development - which must be improved in the 1980s - not only is bleak, it is incongruous. The Committee's perception is, not just that present development efforts are inadequate and are falling short of targets; they are falling well short of what all the major blocs and actors in the international community would genuinely prefer. This is because development-promotion preferences are being blocked by a variety of competing claims or countervailing constraints,

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<sup>4/</sup> Ibid., Fifty-ninth Session, Supplement No. 4, chap. I.

or both. It seems useful at this point to refer specifically to two of the most powerful of these blocking factors.

(a) National defence budgets

21. The single most massive of these obstacles to development support is the world-wide expenditure on national defence activity. It has been estimated that in 1975, compared with a total flow of net concessional transfers from all sources to developing countries of less than \$20 billion, defence expenditures, world-wide, amounted to about \$300 billion. The Committee is aware that the issue of disarmament, including the link between disarmament and development, has a long and laborious history of consideration by United Nations bodies, which, from time to time, have adopted important positions of principle on the subject and, beyond that, have set out specific guidelines and targets for reducing expenditure on armaments and directing the resulting savings into economic and social development activities. Unhappily there has been little or no implementation of these recommendations in practice. The urgency of the situation is illustrated, for example, by the case of Japan. During the past quarter century Japan has allocated an extraordinarily small fraction of its resources - less than 1 per cent of its gross national product - to national defence, a circumstance that undoubtedly has contributed importantly to that country's buoyant development performance. But now, lacking disarmament progress elsewhere, there are growing internal pressures for increased military spending.

22. In general, the gains for development that could be provided out of even minor reductions in defence outlays are so great that the global need for reallocation of resources from defence to development deserves unflagging emphasis. More specifically, the Committee would make two points. First, renewed efforts should be made to implement earlier decisions - especially that most recently set forth in the Charter of Economic Rights and Duties of States, adopted by the General Assembly in 1974 as resolution 3281 (XXIX), in which the Assembly declared that "all States have the duty to promote the achievement of general and complete disarmament under effective international control and to utilize the resources released by effective disarmament measures for the economic and social development of countries, allocating a substantial portion of such resources as additional means for the development needs of developing countries". Secondly, at the same time, it seems plain that fresh thinking on the subject is needed. New approaches should be explored that are not bounded by stereotypes already known not to work. Some members of the Committee feel that one such fresh perspective might be the promotion by international bodies of agreements whereunder particular strategic rivals would jointly contribute paired deductions from their defence budgets to multilateral funds, institutions or programmes assisting developing countries. Such arrangements, while in no way undermining the more general provisions of United Nations resolutions, might strengthen the confidence of each of the paired parties that the other's defence deduction was genuine.

(b) "Stagflation" in the developed economies

23. Because of recession, most developed market economies have been running with substantial idle labour and productive capacity. Idle labour and productive capacity are real resources that could be put to many good uses including - with employment gains for the industrialized countries - the provision of more aid goods



to the poor countries. Fuller employment should also tend to make the advanced economies less protectionist vis-à-vis developing country exports. But in virtually all the advanced market economies the use of demand stimulus to counter recession has been inhibited by the intractability of inflationary forces which, considering recent history, were made more difficult to manage following the sharp increase in military expenditure in the mid-1960s. Moreover, when demand has been stimulated as a deliberate act of policy, measures have been confined to domestic demand, and not extended to international demand, in particular that of the developing countries.

24. The Committee is aware, of course, that the developed countries are seized with the problem of "stagflation" themselves and that to date, their search for workable and viable policies that can provide a continuing reconciliation of full employment and stability has been largely frustrating. But it must be emphasized that not only does the third world have a vital stake in the "first world's" determined pursuit of this problem - because of the share the third world reasonably could expect of the growth dividends that better answers to the problem would yield - it is also just and symmetrical for the international community to press the world's interest in these internal policy matters on the advanced economies. Repeatedly the international community - with this Committee often in the vanguard - has urged developing countries, in the interest of development, to make internal policy changes that are politically exacerbated and difficult. In the advanced market economies the fashioning of equitable, workable and durable incomes policies is one such major reform. It requires painful, novel, accommodations among contending interests that are politically difficult - although no more so, certainly, than the kinds of land reforms needed to underpin successful rural development in some of the poor countries. But it is in the interest of the international community as a whole as well as in the advanced economies' own interests that the latter press ahead with such innovations.

25. In the past few years, neither the burden of high defence expenditure nor the problems of combined inflation with unemployment, have inhibited a few developed countries from advancing within reach of some of the targets set in the International Development Strategy, particularly those set for financial resource transfers. While they remain an exception, such examples demonstrate clearly what can be done if there is the political will and they offer a glimpse of what might be forthcoming from the developed countries at large in more favourable circumstances. Nevertheless, the two matters just noted - disarmament and the achievement of full employment without inflation in the developed market economies - have been on the world's priority agenda since the end of the Second World War. If some breakthrough can begin to be achieved in these two fields, the development outlook, although bleak as of now, may be radically transformed for the next decade.

#### 4. Two topics for emphasis

26. The balance of the chapter focuses on the subjects of resource transfers and the depressed (multinational) regions of the world. In emphasizing transfers at this juncture, plainly it is not the Committee's intention in any way to diminish a recurrent theme of its earlier reports, namely, that internal national efforts by developing countries are the overwhelmingly larger part of the answer to their problems. Yet the external environment in which nations operate is also of great significance.



27. In undertaking to examine the net flow of resources that developing countries are obtaining from abroad, the Committee is mindful that what really matters is the transfer of real resources - of physical capital, of skills and technology, and of scarce commodities. Moreover, as will be detailed in the next section, it is mindful that the scope and character of transfer mechanisms are subject to alternative interpretations, particularly as between overt (orthodox) financial transfers, and "transfers" (in one direction or the other) effected by changes in the terms of trade. It is with the last consideration in mind that, even though the focus of the review is not on trade issues as such, some discussion of trade and commodity policy is included.

28. At the same time, "orthodox" financial transfers do indeed provide the vehicles for many of the real inputs from abroad. Examination of the scope and deployment of existing financial flows leads insistently to questions of feasible improvement, including particularly that of possible new and/or altered transfer mechanisms. Deliberations on this last question have yielded no brand new ideas. However, they have produced an assessment of the comparative promise of various innovations already mooted - and a reminder that, in the future as in the past, while the financial and organizational technology of transfers will remain important, the effectiveness and adequacy of flows will remain chiefly functions of the combined political wills of the supplying and receiving parties.

29. The analysis of transfers, especially of their present distribution among developing countries, leads logically (as also do various themes of this introductory section) to consideration of the position of the poorest countries, which is discussed in the final section of the chapter. Most of these are gathered into the world's two great (geographical) problem areas. These depressed regions need special measures of assistance, and the world community's evolving development strategy, it is suggested, needs further orientation in this direction.

## B. Transfer of resources to developing countries

### 1. Some salient features

30. An adequate and sustained international flow of resources to developing countries for their accelerated economic and social progress is a critical instrument of global co-operation for development. It is not only the issues relating to financial transfers but also those pertaining to other transfers, especially technologies and skills, that loom large before the world community. However, what is being dealt with here primarily is the question of financial transfers to developing countries which provide a necessary supplement to both the domestic saving and the foreign exchange earnings of developing countries, thereby helping to raise their levels of capital formation for accelerated progress.

31. Cognizant of the importance of financial resources, the General Assembly specified in 1960, even before the launching of the First United Nations Development Decade, a quantitative target for the net transfer of such resources from the developed to developing countries. The target was refined and reiterated subsequently by the world community in the United Nations Conference on Trade and Development at its first session and in the framework of the Second United Nations Development Decade. Despite all that historical lineage, the target remains far from fulfilled. Indeed, there has been some retrogression.

32. In current prices, the net flow of official and private financial resources from developed market economies to developing countries rose from \$14.1 billion in 1970 to \$24.9 billion in 1974. But in constant prices of 1970, the net flow in 1974 amounted to only \$15.5 billion. As a proportion of the gross national product of developed market economies, the net flow barely equalled 0.71 per cent during 1971-1974, remaining well below the target of 1 per cent indicated in the International Development Strategy. The net flow of official development assistance - that is, official grants and loans on concessional terms; hence, a far more meaningful component of international development finance than private loans which are given on market terms - provided by the developed market economies to developing countries through bilateral and multilateral channels increased in current prices from \$6.7 billion in 1970 to \$12.7 billion in 1975, but in prices of 1970 the flow in 1975 amounted to only \$6.6 billion. During 1971-1975, the first half of the Second United Nations Development Decade, such assistance equalled about 0.32 per cent of the gross national product of the developed market economies, reaching not even half of the target of 0.7 per cent specified in the Strategy.

33. The annual average of bilateral financial commitments of the centrally planned economies to developing countries with market economies, in current prices, rose from \$1.9 billion in 1971 to \$2.5 billion in 1975, but how much of that amount was actually disbursed is not known. The information available on the financial contributions of the centrally planned economies is too scanty to permit a comparison with the contributions of the developed market economies.

34. In contrast to both the developed market economies and the centrally planned economies, the financial flows from members of OPEC - themselves a part of the developing world - to other developing countries have recently injected a dynamic element into the picture. Total disbursements of OPEC members to these countries rose from \$1.5 billion in 1973 to \$7 billion in 1974. The concessional component of those disbursements increased during the same period from \$1.1 billion to \$3.4 billion, or from 1.1 per cent to 1.9 per cent of the gross national product of OPEC members.

35. Not only have the targets of the Strategy with regard to transfer of financial resources remained far from fulfilled, the distribution of these resources among developing countries has continued to be highly uneven. Available data show that, in relation to their population, lower-income developing countries have received small amounts of international financial flows - the poorest countries often receiving dismally small amounts - whereas higher-income developing countries have generally received quite large amounts. This is true of funds provided by developed market economies, by centrally planned economies and by OPEC members, as is demonstrated by the following data (expressed in United States dollars) on amount of disbursements or commitments of assistance per person in recipient developing countries: 5/

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5/ Based on "Foreign aid and development needs" (E/AC.54/L.80).

Recipient countries and areas	Gross disbursements of official development assistance from multilateral institutions, 1969-1972, annual average	Gross disbursements of bilateral offi- cial development assistance from developed market economies, 1969-1972, annual average	Commitments of bilateral assistance from centrally planned economies, 1972-1973, annual average	Commitments of bilateral concessional assistance from OPEC members, 1974
Those with <u>per capita annual</u> gross domestic product of less than \$100 . . . .	\$0.4	\$1.7	\$ 0.8	\$ 1.8
Those with <u>per capita annual</u> gross domestic product of \$100-\$199 . . . .	\$0.6	\$3.9	\$ 1.9	\$ 7.6
Those with <u>per capita annual</u> gross domestic product of \$200-\$399 . . . .	\$0.8	\$8.4	\$ 7.2	\$37.7
Those with <u>per capita annual</u> gross domestic product of \$400-\$799 . . . .	\$0.3	\$1.5	\$ 4.9	\$76.2
Those with <u>per capita annual</u> gross domestic product of \$800 or more . .	\$0.5	\$9.9	\$21.4	\$ 4.0
Average for all recipient developing countries and areas . . . .	\$0.5	\$3.4	\$ 2.1	\$ 5.7
Number of recipient developing countries and areas . . . .	130	130	37	38

The international flow of private capital, governed as it is by commercial considerations, has in general shied away from lower-income developing countries, thereby making the distribution of total financial flows among recipient developing countries still more uneven.

36. In the light of such evidence, the conclusion is inescapable that international financial flows have in fact contributed to a widening of economic disparities among developing countries. If the international development policy had been geared to a narrowing of economic disparities among developing countries, the lower-income developing countries would have received larger amounts of external finance per person than did the higher-income developing countries. That the pattern has been just the opposite and marked by a wide divergence cannot but be a source of serious concern. Particularly disturbing is the fact that the allocation of official assistance has often been heavily influenced by political and other non-economic considerations whereas the urgent need is to link this allocation to poverty or economic requirements of developing countries.

37. The large shortfalls in reaching the targets set out in the Strategy for the net transfer of financial resources to developing countries and the highly uneven distribution of that transfer among recipients are only two facets, albeit important ones, of a multidimensional problem. As experience has time and again shown, abrupt changes in prices of internationally traded commodities often create serious balance-of-payments difficulties for developing countries, diminish their capacity to import and impede their economic growth. Currently, among the members of the developing world, many oil-importing countries face grave balance-of-payments difficulties. Estimates of the deficits incurred by these countries during 1974 and 1975 in their balance of payments vary; but even the most optimistic estimates indicate that the oil-importing developing countries have had to finance since 1974 an annual deficit of more than \$30 billion, the figure for 1975 being substantially higher than the average just indicated. Moreover, the prospects are that this level of annual deficit will remain more or less unchanged, at least during 1977-1978. That there has been a highly disturbing shift in the balance-of-payments situation is attested by the fact that for a number of years up to 1972 these countries incurred an average annual deficit of only about \$10 billion.

38. Adequate institutional arrangements do not exist to accommodate a balance-of-payments deficit of the magnitude currently facing the oil-importing developing countries. For instance, the available estimates suggest that, in 1976, international financial institutions are unlikely to contribute more than some \$6 billion to alleviating the deficit. As a result, several developing countries have been forced to rely heavily upon private short-term borrowing, principally on the Euro-currency market, and on suppliers' credits. This pattern of financing will escalate debt service payments, with adverse consequences for the import capacity and the credit worthiness of the countries concerned. On the whole, the pre-occupation of many developing countries with their short-term balance-of-payments problems has impaired their longer-term development thrust. Therefore, unless quick action is taken to provide additional balance-of-payments support for these developing countries, the world will face the dismal prospect of a slackening in development efforts and a dislocation of international capital markets, brought about by diminished credit worthiness and even default on the part of many countries.



39. In this connexion, it needs to be stressed that the decisions reached at the fifth meeting of the International Monetary Fund's Interim Committee, held at Kingston in January 1976, are unlikely to make more than a limited contribution to the present requirements. Decisions taken at Kingston may provide an additional \$3 to \$4 billion of financial support in 1976. Assuming that in 1976 the levels of official development assistance and private direct investment achieved in 1974-1975 are maintained, there will still be a residual financial gap in oil-importing developing countries, which is unlikely to be less than \$8 billion, and may even amount to as much as \$15 billion.

40. The resource stringency facing international institutions could make it difficult to cover such financial gaps in the years ahead. For instance, while the World Bank intends to increase its disbursements in the near future, it is unlikely to increase its commitments during the remainder of the 1970s, because of the uncertainty of obtaining additional financial resources. The United Nations Development Programme is also facing serious financial problems, and its expenditure in real terms during the second half of the 1970s may not show a significant increase over the expenditure during the first half of the decade. Even with regard to so crucial an element as food aid, for which the World Food Conference (5-16 November 1974) called for efforts to ensure, as of 1975, an annual level of at least 10 million tons of cereals, that target has not been fully reached, and prospects for the remainder of the decade are uncertain. In fact, import requirements of the developing countries most seriously affected by the recent economic crisis indicate that 15 million tons will be a more reasonable target than the 10 million tons suggested by the World Food Conference. If the required additional food aid is not forthcoming, existing flows will need to be supplemented by a continued balance-of-payments support for the food imports of the most seriously affected countries.

41. It may be pointed out in this context that the deficit on current account in the balance of payments - the excess of imports over exports of goods and services - is commonly employed as a measure of the net inflow of long-term and short-term financial resources from abroad and changes in international reserves (plus errors and omissions). For some purposes, this is a valid concept. But to assist in policy formulation, it needs to be supplemented by a concept which includes certain adjustments. First, in order to arrive at an estimate in real terms, an adjustment has to be made for changes in terms of trade. A second adjustment would take account of net outflow of interest and dividend payments which represents a potential domestic surplus for investment. A third adjustment might take account of the incidence of transfer pricing by foreign-owned companies in valuing their trade. The examples of such calculations to be found in United Nations studies show that they provide a helpful policy perspective. <sup>6/</sup> It

<sup>6/</sup> For instance, a provisional estimate made by the secretariat of the Economic Commission for Latin America (ECLA) shows that the deficit on current account in the balance of payments (the excess of imports over exports of goods and services) of 19 oil-importing countries of the ECLA region increased in current prices from \$13.3 billion in 1974 to \$15.2 billion in 1975 and was covered by financial transactions aggregating to these amounts. If an adjustment is included for the net outflow of interest and dividend payments - \$4 billion in 1974 and \$5.2 billion in 1975 - the net amount of financial transactions or foreign financing appears to be \$9.3 billion and \$10 billion, respectively. If another adjustment is included for the deterioration in the terms of trade in 1975 as compared to 1974 (\$3.7 billion), it would appear that net foreign financing in real terms declined from \$9.3 billion in 1974 to \$6.3 billion in 1975.

would be useful if this information were regularly included in the relevant studies prepared in the United Nations system.

42. The foregoing account of recent developments suggests that a great deal remains to be done with regard to the international flow of finance to developing countries. In brief, the targets specified in this respect in the International Development Strategy - which form a cardinal feature of the General Assembly's action programme for the Second United Nations Development Decade - call for redoubled effort. Especially important is the target for official development assistance. Financial assistance to developing countries needs to be divorced from political considerations and linked unambiguously to development requirements of recipient countries. A large and growing proportion of official grants and concessional loans needs to be directed to countries which face acute problems of poverty and under-development. The detailed information furnished by developed market economies regarding their financial flows to developing countries needs to be matched by the centrally planned economies and OPEC members regarding their financial contributions. Furthermore, among other things, the shorter-term requirements as mirrored in the balance-of-payments difficulties of many developing countries require special attention so as to ensure that the economic and social progress of these countries is not jeopardized.

## 2. Organization of Petroleum-Exporting Countries (OPEC) and development co-operation

43. The increase in economic power gained by OPEC members has opened up new opportunities for development co-operation. Surpluses in the balance of payments of OPEC members need to be deployed to accelerate the economic and social progress of low-income countries, to increase collective self-reliance among developing countries themselves and to promote the development of an integrated world economy.

44. However, contributions from members of OPEC to development co-operation can hardly be expected to duplicate the pattern envisaged from developed countries. Members of OPEC are at earlier stages of development: they are deficient in both economic and social infrastructure, the industrialization of their economies has just begun, and many have a low agricultural potential. Therefore, economic co-operation of OPEC members with other developing countries should be planned in the light of evolving patterns of development among OPEC members themselves. It is encouraging that members of OPEC are engaged in delineating their long-term goals and programmes. In this regard, special mention may be made of the co-operative large-scale projects launched by OPEC members, resulting from joint financial participation and intended to meet their joint needs. The rising tempo of their development will enlarge areas of co-operation between OPEC members and the rest of the developing world, through an increased demand for both agricultural and manufactured goods from the rest of the world to them. In turn, this will provide opportunities for investment by OPEC members in developing countries, not only adding to their over-all productive capacity, but also enabling them to make effective use of their underutilized industrial capacity, which is currently a common feature in many developing countries. Increased exports from the rest of the developing world to OPEC members will also contribute to the expansion of trade among developing countries themselves as well as to increase in the trade of these countries with the rest of the industrialized world.

45. The attempts to overcome institutional constraints in this regard should be

encouraged and supported. For example, a new effort has been made within the Arab region to set up an international authority with the necessary mandate and financial and administrative independence to develop programmes for the expansion of food production through an integrated approach, including all infrastructure, both physical and human, related to agricultural and agro industries. Similarly, an institutional framework has been devised to overcome bureaucratic procedures and obstacles and complexities of financial administration, thereby helping to promote effective utilization of assistance from outside sources. To be funded by a number of Arab countries, this mechanism as conceived by the Arab Fund for Economic and Social Development is intended to have a viable financial position in terms of capital endowment that would allow it to borrow and attract co-financing on both concessionary and commercial terms. While such a mechanism of assistance can operate more readily in one region or subregion, the concept can be attractive enough to interest both capital-exporting and capital-needy countries in long-term partnerships for mutual benefit. Another helpful approach may be a broad arrangement at the regional or subregional level that links infrastructural development in contiguous countries in a joint effort to expand productive capacity in each of those countries. International agencies need to give strong support to such co-operation programmes of development.

46. Thus, where capital-exporting countries with a depleting natural resource can find investment outlets that help to solve issues of interest to their own region as well as to the international community, there is every indication that they will make available a larger volume of financial assistance as part of a broader approach. The role of industrial countries, however, is also crucial in designing, implementing and managing such projects.

47. There are two other promising areas for participation by OPEC members in the drive for progress of developing countries that could also enhance co-operation among the latter. A major impediment to expansion of trade and economic co-operation among developing countries is the lack of adequate transport and communication facilities that serve the needs of such co-operation. Members of OPEC could help to overcome this impediment through their investment programmes. Secondly, attempts at trade liberalization among developing countries have been hindered by the lack of adequate short-term financing facilities to cushion the effects on the balance of payments. Attempts are beginning to be made to organize currency or monetary unions within various regions of the developing world with a view to helping trade liberalization among them. An extension of financial facilities by OPEC members to regional integration groups would help in the liberalization of trade among developing countries.

48. The creation of world grain reserves to stabilize supplies of foodgrains as well as to meet emergency needs at times of natural disaster, although endorsed by the World Food Conference, has made little progress. Members of OPEC, in co-operation with developed countries and the developing world, could invest in holding food reserves for the needs of developing countries. These grain reserves could be held in countries that are members of OPEC and in other developing countries. This is in conformity with the expressed interest of OPEC members in increasing food production in developing countries as well as in promoting the cause of food security for the developing world as a whole. Such a scheme would also contribute to and provide a worth-while demonstration of participation by OPEC members in promoting collective self-reliance in the developing world.

49. The desirability of and the need for triangular co-operation among

industrialized countries, OPEC members and developing countries has been discussed at length over the past two years. Had arrangements for such co-operation been in existence, they would have contributed to the recovery of the industrialized world from the current economic recession by promoting exports to the developing world, financed by investment of OPEC members. Though small, a start has been made in this regard. The need now is to devise appropriate measures in the three groups of countries to make triangular co-operation a reality.



### 3. International trade and resource transfers

50. For the accelerated progress of developing countries, international trade plays a strategic role. For most developing countries, though crucially complemented by the transfer of resources from the developed world, international trade is the main source of foreign exchange. Therefore, measures have to be devised to expand the trade of developing countries and thereby add to their resources for development.

51. However, care needs to be taken to ensure that the pricing mechanisms used for this purpose have the desired effect on the international distribution of income. Here, experience has been very mixed. In many instances, developing countries have suffered seriously from the effects of adverse terms of trade. On the other hand, the sharp rise in the price of petroleum has brought about an unprecedented shift in resource transfers which has been favourable to the developing countries as a group, while posing difficulties for oil-importing countries in both the developing and the developed world. To the extent the gains made by OPEC members are widely deployed in the cause of development, this will contribute to economic and social progress throughout the world in the long run. But, clearly, no other dramatic change in international price relations resembling the petroleum case can be reasonably expected in the foreseeable future.

52. International pricing and related mechanisms can contribute to the transfer of resources in two different ways: first, by protecting the developing countries against losses resulting from price fluctuations and, secondly, by ensuring a secular increase in the capacity of the developing countries to import.

53. Various proposals have been made to meet these objectives. The Committee strongly supports arrangements for primary commodities that incorporate such features as international buffer stocks and multilateral commitments in commodity trade. In this connexion, the Committee attaches special importance to the Integrated Programme for Commodities proposed by the UNCTAD secretariat. <sup>7/</sup> This multi-commodity approach has a number of advantages compared to a single-commodity approach. The funds needed for the financing of commodity stocks could be smaller because losses on one commodity could be offset by gains from another. A multi-commodity approach would also help dampen the magnitude of fluctuations in the business cycle by reducing the effect of general deflationary or inflationary forces in world trade. Moreover, complications arising from complementarity or substitution of different commodities could be avoided.

54. Mechanisms for compensation for fluctuations in export prices and earnings are essential, and there has to be an element of transfer when earnings decline which provides, at the least, some means of diversifying the export trade of affected countries. Here, the arrangements agreed to between the European Economic Community and Associated States in Africa, the Caribbean and the Pacific under the Convention, signed at Lomé on 28 February 1975, are of special interest. The arrangements under the scheme (STABEX) make it possible for compensation to be paid on a commodity-by-commodity basis even if a country's total export earnings rise, provided there is a fall in earnings from a given eligible commodity. Moreover, when fluctuations occur around a falling trend, the repayment provisions of STABEX

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<sup>7/</sup> See TD/B/530, paras. 36-52; and TD/B/C.1/166 and Supp.1-5.

still make it possible for a net transfer of resource to take place. Because of its regional scope, an expansion of the approach on which STABEX is based should be promoted on a global level. In a later section certain proposals concerning the main components of a global compensatory financing scheme are set forth (see para. 65 below).

55. In considering particular arrangements and their technical solutions, it is vital that the objective of market stability should be sought in a way that allows enough flexibility for a changing product pattern in trade resulting from technological advances and changes in demand. Also the likely distribution of the effects of various schemes among the participating countries should be considered. Not all developing countries are producers of raw materials, and many developed countries are large producers and exporters of several major primary commodities. Thus, if the international pricing mechanism is to be used as a channel and source of transferring resources to the developing countries, its distributional effect will have to be considered carefully in order to ensure that the desired objective will in fact be achieved.

#### 4. Access to private capital markets and debt relief

56. If developing countries are going to maintain reasonable rates of economic growth in the remaining years of the present decade, they will require substantially larger flows of external finance than they have received in the past. Current conditions in the world do not promise that such large flows will be forthcoming. The combination of inflation and recession in developed market economies is constraining their capacity to transfer resources to developing countries. Members of OPEC have large development needs of their own, and the external surpluses of some OPEC members may decline. Therefore, it is crucial that developing countries be provided with wider access to private capital markets - especially to those countries which have not found easy access to them - and that debt conditions be softened and trade concessions be granted in sufficient magnitude for developing countries to realize their real growth potential.

57. Current and projected commercial borrowing from abroad is attaining harder and harder terms, leading to escalating debt-service costs. This only accentuates the need for increasing flows of development assistance, which the shortfall from the targets of the Second Development Decade makes plain. The developed market economies as a group have already converted their large trade deficits resulting from increase in the price of oil into manageable trade surpluses. Thus, it is all the more important that co-operative efforts between these developed countries and OPEC members should enhance flows of concessional development assistance to the oil-importing developing countries. However, even in the best of circumstances, shortfalls in the transfer of financial resources will remain substantial. Therefore, efforts should be made both by OPEC members and by all developed countries to increase their imports from developing countries.

58. Meanwhile new trade and financial arrangements can be undertaken. Among other things, appropriate attention should be given to the problem of debt relief since many developing countries are already facing severe debt problems. Softening the terms of new loans and renegotiating outstanding debts might be two methods of alleviating this problem. Many developing countries currently suffer from a heavy burden of debt service payments in relation to their income and wealth. As regards

debt relating to official development assistance, developed countries should consider rescheduling on the softest possible terms or, for the poorest countries, writing off debts by mutual agreement.

59. Softer terms and wider access to loanable funds are two points that deserve special consideration. Thus, some attention needs to be focused on the mobilization of funds to subsidize the interest on loans extended at market rates. Steps can also be taken towards the rescheduling and rolling-over of debt as ways to ameliorate the debt burden. Specifically, arrangements should be introduced whereby, at the request of a developing country, an agreed-upon international agency would convene a meeting of creditors for rescheduling debts and even for having the lending facilities of the International Monetary Fund available for interim assistance while refinancing is being arranged. Much could also be done by improving conditions in the international financial markets, especially the facilities regarding wider access to developing countries. Attention has been given by the Development Committee of the Group of 24 on International Monetary Affairs to obstacles in finding access to capital markets and the measures that could remove the obstacles. The creation of a multilateral guarantee fund to secure additional resources for developing countries that would benefit mostly the poorest countries would certainly be welcome. Measures also need to be taken to speed up the establishment of a secondary market for debt instruments issued by developing countries, in which international agencies could invest part of their liquid assets.

#### 5. International monetary reform and resource transfers

60. Before the recent upheavals in international monetary relations, a broad consensus seemed to have been emerging on the main components of a reformed international monetary system. As part of such a system, the developing countries had urged the establishment of a "link" between the special drawing rights (SDRs) of IMF and development finance. A certain proportion of newly created SDRs was to be used directly, or through intermediary institutions, to supply long-term loans or grants for development. In the past two or three years, however, new factors have intervened in the international monetary system and relegated the issue of creating new SDRs to the background. These factors have been: (a) a massive creation of liquidity through the deficits of the reserve currency countries; (b) floating exchange rates in a large number of industrial countries; (c) the explosion of inflationary forces in the world economy; (d) the rise in the prices of some key raw materials, notably petroleum; and (e) the accumulation of large reserve balances by OPEC members.

61. As a result of these developments, the composition of the deficit countries has changed and they are now more widely dispersed. In this context, creation of international liquidity has taken place in a haphazard fashion. Besides traditional reserve assets, other "strong" currencies are now also being used extensively as reserve assets, with the result that the benefits of reserve creation have accrued to a small number of developed countries.

62. Notwithstanding the new developments, therefore, the importance of reserve creation under international auspices, with proper safeguards and rules, remains unchanged. Hence it is important that the creation of SDRs should be kept on the agenda along with the issue of their link with development finance. The creation

of SDRs as a central reserve asset, had it been accomplished in time, would have provided a convenient asset for OPEC members to hold and would have eased the problem of recycling oil revenues.

63. In this connexion, the agreements reached at the meeting of the Interim Committee of IMF in January 1976 were disappointing. The link was not considered as part of the package, and the arrangements on gold - although providing some additional resources for developing countries - missed the opportunity to redistribute international liquidity in favour of developing countries. At the same time, little progress has been made in liberalizing the conditions under which the Fund's facilities may be used. It is distressing that a substantial amount of these facilities remain unutilized and that very few developing countries have gone beyond their first credit tranches.

64. The agreement regarding the Fund's compensatory financing facility, which calls for earlier access and an increase in the upper limit on drawings in this facility from 50 to 75 per cent of a country's quota in the Fund, is a step in the right direction. Yet, while these provisions are expected to yield an amount of about \$1.5 billion in 1976, they fall short of actual needs. Repayments are still obligatory at the usual rates of interest in three to five years, regardless of a recovery in export earnings. Besides, to limit borrowing to a fixed percentage of a country's quota, while shortfalls in practice are several times the relatively small quotas of developing countries, greatly restricts the use of the Fund's facility. Moreover, a country with a shortfall in foreign exchange earnings, even though this may be due to factors beyond its control, is eligible for compensatory finance only if the Fund considers the country's balance-of-payments position to be in difficulty. In this view, the requirements for foreign exchange are not related to the need for a stable rate of economic growth but to short-term balance-of-payments difficulties.

65. Basically, the components of a reasonable and more comprehensive compensatory policy should include the following characteristics:

(a) All shortfalls in export earnings below a reference level should be compensated. The reference level should include an adequate growth factor;

(b) Shortfalls should be defined in real terms to take account of adverse movements in terms of trade brought about by rising import prices;

(c) The magnitude of compensatory finance should be related to a certain percentage of shortfalls rather than quotas;

(d) Compensation would not be repaid until exports recover above the reference level; even then, repayments should be on a long-term basis and terms of repayment should be related to the poverty and the long-term trade prospects of the country concerned.

66. The agreement on quota increases, also negotiated at the aforementioned meeting of the Interim Committee of the Fund will not come into force until 1977. Meanwhile, the temporary increase of 45 per cent in credit tranches will provide at most \$2 billion in additional credit to developing countries. However, as matters stand at present, this is a once-and-for-all measure and judged against the size of the balance-of-payments problems, which are not of a short-term nature,



in oil-importing developing countries, the quota increase implies only a marginal contribution to meeting their requirements.

### C. Depressed regions of the world

67. A long-standing feature of international resource transfers is that amounts received vary widely from country to country, even between countries with broadly similar needs. What has emerged more clearly now is that the lower-income countries, considered as a group, have attracted a disproportionately small share of such resources in relation to their population - and needs. Similarly, while there has been a general tendency for rates of growth of per capita income to vary widely among countries, it has now become apparent that there is a strong tendency, across the array of developing countries, for slow growth to be associated with low income levels. Thus, if an annual per capita income of \$200 is taken as the dividing line, the available figures show that over the past decade and a half, since the beginning of the First Development Decade, the average annual rate of growth of per capita real income for the lower-income countries was hardly 1.5 per cent, as against a rate of around 3.5 per cent for other developing countries.

#### 1. Poor countries in poor regions

68. What is even more striking is that, of the group of countries which have been sharing the unhappy convergence of low levels of income, slow growth, and scant resource transfers, all but a few of the smaller among them are located contiguously in two areas, which can be appropriately characterized as the depressed regions of the world. One such region extends across the middle of Africa stretching from the Sahara in the north to Lake Nyasa in the south, and includes all countries within the area with the exception of some West African coastal States. The other, beginning with Afghanistan and Pakistan in the west, stretches eastward across South Asia and some South-east Asian countries (hereafter, for brevity, referred to as "southern Asia").

69. Not all very poor countries, of course, lie within these two regions. Some others, which have an average annual income somewhat in excess of \$200 per capita also suffer from extensive poverty, and, indeed, within many other countries there are subnational regions or groups of people afflicted by extreme poverty. In previous reports the Committee has focused on situations of this kind, as it has on problems of mass poverty, wherever it may be found. Remedial policies in respect of pockets of poverty certainly continue to warrant national and international attention. At the same time, the phenomenon of poverty extending over entire regions of the world has not in the past received the attention it warrants. The present comments, therefore, appraise the problem of mass poverty and under-development from this neglected perspective.

70. Quite clearly, having poor neighbours is not a sufficient explanation of any one country's poverty. But being caught in impoverished surroundings does tend to make it more difficult for a country to surmount poverty - and suggests the value of multinational, region-wide development strategies in such cases. If a country is located in a prosperous and rapidly developing region, it is likely to derive many advantages from the economic level and rapid progress of its neighbours. The region outside its own frontiers will be well supplied with

infrastructure and may provide rewarding markets for its exports. Under such conditions neither an unfavourable relationship between population and natural resources nor land-lockedness need be a major obstacle to development. In fact some highly prosperous European countries have these characteristics. On the other hand, if a country at a low stage of development is located in a depressed region, in which all or nearly all the countries have low incomes, poor infrastructure and low rates of growth, it may be difficult for that country to develop its own resources. Under such circumstances even countries with fairly rich natural resources may languish.

71. The difference in rates of economic development among low-income countries in the period since 1960 underlines the significance of the intraregional contiguity of poverty. In 1960 there were some 60 low-income countries of which more than one fourth were located outside the two depressed regions mentioned above. By now, however, the concentration of low-income countries in these two regions has become more pronounced. More than two thirds of the low-income countries outside the two depressed regions succeeded in raising their incomes enough so that today only a handful have incomes below \$200 per capita. By contrast, since 1960 only a couple of countries located within the two depressed regions have succeeded in raising per capita incomes above the \$200 dividing line. The presumptive need for concerted action by the countries of the depressed regions, supported by the international community, is quite clear. Lacking it, the lowest-income, slow-growth countries may no more begin to break out of poverty in the third development decade than they are doing in the second.

## 2. Climatic vulnerability

72. Apart from the problems of acute mass poverty and slow economic growth which characterize these two regions of Africa and Asia, they have one important feature in common which makes their position particularly difficult. It is the susceptibility of their agriculture to large fluctuations in output in response to climatic variations. Some subregions within them are of course comparatively secure on account of dependable rainfall and other sources of supply of water, such as irrigation. But in each of the two depressed regions taken as a whole agricultural performance is heavily dominated by climatic factors, particularly conditions of precipitation, and is subject to considerable year-to-year variation.

73. This has far-reaching effects, not only on agricultural incomes in general, but much more seriously on the levels of consumption of the poorer strata of the population. Even in most of the advanced countries of the world which have developed transport and marketing facilities the greater part of the food consumed comes from domestic sources. The dependence on local supplies of food is greater in the poor countries of Africa and Asia. And it is almost total in the rural areas of these countries which suffer not only from poor transport and other links with the rest of the world but have much too little purchasing power to attract supplies from outside to any significant degree. Thus, when there is a failure of the harvest, its incidence tends to be direct and immediate, and the consequences for those already living on the margin of subsistence are often disastrous.

74. Apart from the effect on levels of rural nutrition, fluctuations in agricultural output dominate the economies of these poor countries more generally, affecting export earnings, the demand for manufactured products and the prices and

supplies of urban food. Years of good harvest lead generally to higher incomes and demand, sustaining activity all around, but the whole process is reversed by the years of poor harvest in between. The countries in the two depressed regions are forced into a stop-go pattern of development that handicaps them very seriously.

### 3. Problems of the mid-African region

75. While the two depressed regions of the world resemble each other in that acute poverty and slow growth are their common fate, they have major differences which invite different policy responses.

76. Most of the countries located in the depressed region of Africa are characterized by the small size of their markets. Africa is by far the most fragmented of all continents and, as a result, the economic base of countries in the depressed region is very small. Generally the density of population is low and the population, which is mainly rural, is widely scattered. Although, on the average, these countries have a low population, the more limiting factor to the size of their domestic markets is the low level of income and the skewed manner in which income is distributed. Moreover, the balkanization of Africa resulted in a series of small protected markets with very little trade between them. An important legacy of the colonial period is that the production structures and trade of these countries is directed towards their former colonial powers, and trade among them or with other African countries is hardly developed.

77. Another limiting factor to development is the low level of infrastructural investment in these countries. Investment in transport, communications and social services is inadequate to support high rates of development. This is reflected in the poor state of transportation and communications facilities, inadequate housing, low levels of education and literacy, and inadequate health services. Increased investment in the provision of these services is a pre-condition for development of agriculture and industry. A major programme of investment in infrastructure would significantly increase the absorptive capacity of these countries. Given the land-locked nature and smallness of the domestic markets of some of the countries in question, joint planning and investment in the provision of some of these services, especially transport, should be explored.

78. Generally speaking, the natural resource base of the depressed region of Africa is not unfavourable. While it is true that some of the countries suffer from a shortage of water and pockets of overpopulation, the land-labour ratio is still favourable to increased agricultural production. What is most urgently needed is research to determine the extent and quality of these resources as well as the best production methods, consistent with the long-term objectives of these countries, for exploiting them. Only a thorough-going rural transformation can affect the standard of living of the majority of the people in these countries, and the provision of both technical assistance and capital should be keyed to such a strategy.

79. As to industrialization, given the low present levels and the favourable natural resource base, in principle there are both export promotion and import-substitution possibilities. The success of import substitution, however, will be largely contingent on effective economic co-operation arrangements that greatly enlarge the scale of individual national markets. The success of export promotion

will depend on the efficiency of production of exportable goods, on economic co-operation arrangements and on the willingness of developed market economies and centrally planned economies to give freer access to processed products from these countries.

#### 4. Problems in southern Asia

80. Problems of southern Asia are different in some respects. In the first place, this region is characterized by high population density and, consequently, by very considerable pressure of population on land. A large part of the rural population is "landless" and, except in areas which have been subject to radical land reform, the terms and conditions in which land is available tend to be onerous. Small and fragmented holdings of land are in turn a serious obstacle to the efficient use of the available supplies of land and water. For these reasons, rapid agricultural development may be held back in southern Asia in the absence of far-reaching institutional and organizational changes that make it possible for the fuller utilization of manpower and more intensive use of land.

81. Several countries of the region, however, have made greater progress in building up some of the overheads of development, as well as in industrialization, than the countries of the depressed African region. Some of them, such as India and Pakistan, are in fact no longer strikingly "under-developed" if judged in terms of the technical skills they have acquired in manufacturing as well as in certain areas of scientific and technological research. But, precisely because they have large conglomerations of population and are already launched on the process of industrialization, their need for finding adequate sources of energy is greater, and the impact of the energy crisis on their economies has been correspondingly more serious than in most of Africa.

82. Naturally, therefore, what the countries of southern Asia must and can do by themselves for promoting development, and what might be done by the international community to assist the process, are quite different. The problems of agrarian reorganization, particularly those posed by the need for radical land reform and related institutional changes such as consolidation of land holdings, have necessarily to be faced by these countries on their own. But, since the task is a formidable one and is likely to take time, the international community can help in the transition period in a variety of ways. The mobilization of idle labour, particularly of those who have little or no land, requires large supplies of food. Fluctuations in agricultural output, to which reference was made earlier, make this problem a very serious one in most of these countries. International efforts - for example, through a system of world grain reserves or through food aid programmes - can help to minimize the impact of such fluctuations and make available assured supplies of food in adequate quantity. It is feasible for such efforts to avoid adverse effects on indigenous agricultural production, and it is essential that they take care to do so. But if they observe that caution, such programmes can be of great value. Their impact on poverty and unemployment will be both direct and immediate.

83. In countries where the process of import substitution in manufacturing industry has already made considerable headway, any significant further stimulus to industrial growth will necessarily depend to a large extent on the growth of the domestic market which, in turn, will depend on acceleration of agricultural



growth. Once again, much depends here on the policies followed internally in the countries concerned. However, the process of industrialization can be given a push forward to the extent that markets can be opened up in the advanced countries for the manufactured products in which the developing countries of southern Asia have a comparative advantage. So far the beneficiaries of preferred treatment in regard to imports of manufactures have been confined largely to the countries of Africa that were previously colonies of certain countries in Western Europe. The countries of southern Asia have not only received little help of this kind but have faced numerous obstacles to the movement of their manufactured products to the markets of the developed countries. This matter deserves pointed further attention by the international community.

84. In the context of the energy crisis, external assistance for the development of alternative sources of energy can also be of great help to these countries. Various programmes have already been initiated for this purpose, but the scope for widening and strengthening these efforts is still considerable. The intensive development of river valleys, which can help not only to provide irrigation and promote agricultural growth but offer additional sources of energy, has not received much attention of late from the international community. This again is an area which calls now for efforts on a much larger scale, and should be particularly useful and attractive as it is capable of being developed on a regional basis cutting across national boundaries.

#### 5. Policy measures

85. The case of the two depressed regions is so extreme in terms of the human suffering it entails that it becomes a problem involving the conscience of the whole world, calling for concerted and effective action on a new and dramatic scale. At the same time, as noted, many of the needed initiatives can come only from within the countries themselves.

86. Indeed the underlying assumption behind the proposals being made here is that the primary task of these two regions is to embark upon a more self-reliant path of development involving an adequate mobilization of domestic resources. It is only in the context of such an approach that, in the prevailing climate of aid weariness, their needs can secure adequate recognition. Poverty per se has not, it is only too clear, elicited the required response from the international community. In both multilateral and bilateral forums the appeals of the past should give way to policies based upon internal effort which could more reasonably be expected to elicit commensurate support from the outside world. This pattern of greater self-reliance does not imply an autarkic form of development. But it does mean that a country will acquire enough internal resilience and strength to be able to enter into selective relationships of its choosing on a more equal footing with the outside world than has been the case in the past.

87. In this connexion the Committee wishes to reiterate the importance of the principles and measures set out in the International Development Strategy for the Second United Nations Development Decade in such fields as socially oriented fiscal policies, education, health, nutrition, employment, housing, social welfare, environment, the integration of women and young people, land reform, rural development and agricultural and industrial production.

88. Co-operative action on the part of low-income countries themselves is of

particular importance. They should demonstrate, through their joint endeavours, their determination to create better conditions for external finance for development. A number of economic co-operation arrangements have been tried in both Africa and Asia, but the results have been rather mixed. Recently, however, there appears to have been a renewal of interest in finding effective ways of strengthening such arrangements. In this connexion, the Latin American experience may be cited as an example of effective action. Latin America as a whole has recognized that countries in different stages of development require different solutions to their problems. Not only have Latin American countries called for special treatment for less developed countries at the world level; they also apply this treatment among themselves in all their regional economic organizations (the Latin American Free Trade Association, the Central American Common Market, the Caribbean Community and the Cartagena Agreement), covering such fields as the granting of exclusive trade concessions, exemption from certain obligations, recourse to safeguard mechanisms, special assistance, joint action programmes and favourable treatment on loans.

89. The poor countries of Africa and Asia can greatly benefit from concerted and integrated attacks on their common problems - ones in which the more advanced in the group offer advantages to the less advanced, in which the countries, however delayed their process of development may be, allocate markets for different products among themselves, and in which the aggregate markets for most products are broadened. Countries which take joint initiatives to establish well-structured and reliable market-widening arrangements will encourage financing from international organizations and bilateral donors; and they will attract a better volume and quality of foreign private investment.

90. Efforts to concert trade and industrial investment should be supplemented by major joint projects among groups of countries, dealing with the substantial improvement of their infrastructure. Lending and aid organizations will be encouraged to co-operate with countries which are able to prepare and present joint plans for regional development (such as river valley projects) that comprehensively attack the problems of under-development across the relevant sectors - for example, water control, irrigation, energy, complementary agricultural and industrial expansions, transport and communications.

91. Action on the part of the world community, multilaterally and bilaterally, should run the gamut of the familiar issues - trade liberalization, increased aid and financing, and stabilization programmes for raw materials and food-stuffs prices and/or export incomes - but in each case affording the special treatment that is warranted by the particular problems which characterize these regions.

92. The Committee has considered, but in its own mind not resolved, the question of whether the special and extreme problems of the southern Asian and mid-African regions may warrant the establishment of either one or two new multilateral funds, consortia, or other institutions that would be specifically focused on these problem areas. By and large, institutional proliferation is not attractive, and further concentration of attention and resources on these regions can be accomplished within the frame of existing institutions, some of which, indeed, already are leaders in such a redirection of effort. Some of the institutions set up recently for canalizing surplus oil funds to developing countries are at the moment in their infancy, but they have considerable potentialities for the future as the scope of their operations gets widened and they acquire the necessary

technical expertise and experience. At the same time, since there is a probability that some countries in the depressed regions of southern Asia and mid-Africa will not receive adequate attention, some sort of small co-ordinating body that would seek to streamline and orient the many aspects of a world-wide attack on the stubborn problems of these two areas could well be useful.

## II. MATTERS REFERRED BY THE GENERAL ASSEMBLY

93. In the preceding chapter, the Committee has already dealt with the request addressed to it by the General Assembly in resolution 3517 (XXX) of 15 December 1975. As explained in paragraphs 17 to 19 above, the Committee believes that the goals and objectives of the International Development Strategy for the Second United Nations Development Decade should not be revised; instead, efforts during the remainder of the Decade should be concentrated on achieving those goals and objectives through concerted national and international action, taking into account the relevant decisions of the Assembly since the adoption of the Strategy. At the same time, the Committee feels that the Economic and Social Council and the General Assembly should initiate the necessary technical work by organizations of the United Nations system - in their respective areas of competence - that could serve as a basis for formulating an appropriate international development strategy for a third United Nations Development Decade.

94. The Committee has been interested in the question of integration of women in the development process. In this connexion, it has taken note of the request addressed to it in General Assembly resolution 3490 (XXX) that special attention should be paid to the status of women in the review and appraisal of the International Development Strategy. The Committee fully shares the Assembly's concern and awaits with interest the results of the work relating to this subject that is being carried out in the Population Division and other units of the United Nations's Secretariat, the International Labour Organisation and the Food and Agriculture Organization of the United Nations.

95. The Committee has been informed that in resolutions 3409 (XXX), 3489 (XXX) and 3508 (XXX) the General Assembly has addressed a number of requests to the Secretary-General which also have a bearing on the Committee's work. With regard to the report that the Secretary-General will prepare, in pursuance of resolution 3489 (XXX) on acceleration of the transfer of real resources to developing countries, it is hoped that the views put forward in the present report of the Committee and the papers prepared for the Committee's use at the twelfth session will be of help. In line with resolution 3508 (XXX), as is indicated in the next chapter of the present report (paras. 96-97), the Committee will begin, at its thirteenth session, an examination of long-term trends and forecasts in the economic development of the various regions of the world and their mutual relationship. Also as indicated in the next chapter (para. 98), the request contained in resolution 3409 (XXX) will be borne in mind in the context of the Committee's work on the third over-all review and appraisal of progress in the implementation of the International Development Strategy for the Second United Nations Development Decade.



### III. ARRANGEMENTS FOR FUTURE WORK

96. In accordance with General Assembly resolution 2626 (XXV) and Economic and Social Council resolution 1625 (LI), The Committee has the responsibility of preparing comments and recommendations relating to the biennial over-all review and appraisal of progress in the implementation of the International Development Strategy for the Second United Nations Development Decade. The third over-all review and appraisal is scheduled to be made by the General Assembly, through the Economic and Social Council, in 1977. For the deliberations of the Council in 1977, as specified in General Assembly resolution 3508 (XXX), the Committee has been asked to assist the Secretary-General in the preparation of a comprehensive report on the long-term trends and forecasts in the economic development of the various regions of the world and their mutual relationship, including methodological guidelines for the further examinations of such trends in the regions. Thus, in line with the tasks called for in the aforementioned resolutions, the Committee has decided to place the following two topics on the agenda for its thirteenth session, scheduled to be held at United Nations Headquarters in New York from 11 to 22 April 1977:

(1) Preparation of comments and recommendations relating to the third over-all review and appraisal of progress in the implementation of the International Development Strategy for the Second United Nations Development Decade:

(2) Examination of long-term trends and forecasts in the economic development of the various regions of the world and their mutual relationship, including methodological guidelines for the further examination of such trends in the regions.

97. The Committee believes that these two topics are closely related and will provide a useful framework for both a retrospective analysis and a forward look intended to help in designing and implementing appropriate development policies. In paragraph 19 above, the Committee suggested that the review and appraisal exercise of 1977 should be made the beginning of careful and considered planning for a third United Nations Development Decade. The Committee took note with interest of the fact that the preparations for this purpose had already begun in the Secretariat. The Committee hopes that the work at its thirteenth session will serve as its modest initial contribution in that direction. The work will be carried out in the light of the relevant decisions taken in United Nations forums since the adoption of the International Development Strategy, especially the decisions of the General Assembly at its sixth and seventh special sessions.

98. The Committee looks forward to receiving the reports of the Secretary-General that could help it in discharging its responsibilities. It hopes that, as in the past, the report relating to the over-all review and appraisal will draw, inter alia, on the documentation for regional and functional (sectoral) appraisals to be prepared by organizations of the United Nations system so that the Committee and other bodies dealing with the third over-all appraisal can get a comprehensive view from one basic document. Documentation prepared for regional and functional appraisals will be useful in furnishing details as needed. On major development

issues, it will be helpful to have, in the Secretary-General's report and in other review and appraisal documentation, information covering not only the 1970s but also the 1960s. This will provide a historical perspective and also serve as a firmer basis for forming judgements about prospects. For assessing prospects, the Committee awaits with interest the Secretary-General's report on long-term trends and forecasts in the economic development of the various regions of the world and their mutual relationship. The report, the Committee was informed, is envisaged as the starting-point of the next phase in the Secretariat's continuing activity in the important field of long-term projections for the world economy. In preparing comments and recommendations relating to the third review and appraisal, as specified in General Assembly resolution 3409 (XXX), the Committee will also take into account the forthcoming report of the Secretary-General on the application by Governments of a unified approach to development analysis and planning.

99. In line with the authority provided in Economic and Social Council resolution 1625 (LI), the Committee has requested the Secretariat to commission from consultants two papers for use at its thirteenth session. The papers are intended to be analytical surveys of: (a) measures for disarmament and development; and (b) policies for full employment and fuller utilization of productive resources in developed countries, with particular reference to transfer of resources to developing countries. These papers, as will be evident from the discussion in paragraphs 20 to 25 above, are meant to provide useful background information for the Committee's work on the third review and appraisal. They may also be of use to other United Nations bodies. The Committee was informed that, as part of a broader examination of labour and employment problems in developed countries, the International Labour Organisation (ILO) was studying incomes policies of those countries. The Committee expressed interest in receiving the ILO study on incomes policies in time for its thirteenth session.

100. Also in line with the authority given in Council resolution 1625 (LI), the Committee has decided to convene three working groups in 1976 to help prepare the ground for deliberations at its thirteenth session. The nature of the topics to be examined at that session is such that the Committee's deliberations will benefit greatly from advance work on a regional basis through on-the-spot discussions with officials of regional economic commissions and regional specialists on the staff of other interested organizations of the United Nations system. It is hoped that such a discussion will also be helpful to the participating organizations in connexion with their own work. Accordingly, the Committee proposes that one working group should meet at the headquarters of the Economic and Social Commission for Asia and the Pacific, in Bangkok, one at the headquarters of the Economic Commission for Latin America, in Santiago, and one at the headquarters of the Economic Commission for Africa, in Addis Ababa. Each of these working groups will concentrate, in the context of the region concerned, on the two topics specified in paragraph 96 above. Each working group will consist of five members and will meet for one week. The Chairman of the Committee, after appropriate consultations, will designate members of the working groups. Each working group will need to be assisted by two staff members from the Committee's secretariat at United Nations Headquarters in New York. In order to avoid additional costs for interpretation and translation, the composition of the working groups will be so arranged as to have them conduct their business in the languages for which the host commission has standing facilities. The working groups' discussions will be based on the documentation to be prepared by the secretariats of regional commissions for their own official bodies and on the provisional drafts and statistical tables that the secretariats may be able to supply from the ongoing research work. It is suggested

that the working groups should meet in the last quarter of 1976 by which time much of the work on the third review and appraisal at the regional level and related subjects will have been completed. The Committee has been informed that the change in venue - normally two working groups meet in New York and one in Geneva - even after taking into account the savings resulting from the inability of a number of its members to attend its twelfth session, may have some financial implications. The Committee hopes, however, that the tasks to be undertaken by the working groups will be considered sufficiently important to merit accommodation of the additional expenditure that may need to be incurred.

101. The Committee is not yet in a position to furnish any details regarding the working groups that it may convene in 1977. Decisions in this regard will be made at its thirteenth session, after deciding the agenda for its fourteenth session.

Annex

LIST OF DOCUMENTS

<u>Symbol</u>	<u>Title</u>
A. <u>Documents before the Committee</u>	
E/AC.54/14	Provisional agenda
E/AC.54/L.80	Foreign aid and development needs - paper prepared by the Secretariat
E/AC.54/L.81	Developing countries and levels of development - paper prepared by the Secretariat
E/AC.54/L.82	External finance for development: recent experience and its implications for policies - paper prepared by the Secretariat
E/AC.54/L.83 and Corr.1	New mechanisms for the transfer of resources to developing countries - paper prepared by Nurul Islam, member of the Committee
E/AC.54/L.84 and Corr.1	Transfer of resources from developed to developing countries - paper prepared by Saburo Okita, member of the Committee
E/AC.54/L.85	Problems and policies of the hard-core developing countries of Africa - paper prepared by Y. Z. Kyesimira, member of the Committee
E/AC.54/L.86	Economic growth and main streams of production: some basic problems in hard-core developing countries - paper prepared by the Secretariat
E/AC.54/L.87 and Corr.1	Problems and policies relating to hard-core developing countries of Asia - paper prepared by T. N. Krishnan, consultant
E/AC.54/L.88 and Add.1	Studies under way on long-term development planning and projections - report of the Secretariat
E/AC.54/L.89	Decisions taken by the General Assembly at its thirtieth session that are relevant to the work of the Committee for Development Planning
ST/ESA/29	<u>Poverty, Unemployment and Development Policy: A Case Study of Selected Issues with Reference to Kerala</u> (United Nations publication, Sales No. E.75.IV.11)



Symbol

Title

B. Other texts

General Assembly resolution  
3409 (XXX)

Unified approach to development analysis  
and planning

General Assembly resolution  
3489 (XXX)

Acceleration of the transfer of real  
resources to developing countries

General Assembly resolution  
3490 (XXX)

Implementation of the World Plan of Action  
adopted by the World Conference of the  
International Women's Year

General Assembly resolution  
3508 (XXX)

Examination of long-term trends in the  
economic development of the regions of  
the world

General Assembly resolution  
3517 (XXX)

Mid-term review and appraisal of progress in  
the implementation of the International  
Development Strategy for the Second United  
Nations Development Decade

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