



**General Assembly**  
**Economic and Social Council**

Distr.  
GENERAL

A/39/115 + *Annex, 2*  
E/1984/49  
29 March 1984

ORIGINAL: ENGLISH

GENERAL ASSEMBLY  
Thirty-ninth session  
Item 80 (a) of the preliminary  
list\*

DEVELOPMENT AND INTERNATIONAL  
ECONOMIC CO-OPERATION: INTERNATIONAL  
DEVELOPMENT STRATEGY FOR THE THIRD  
UNITED NATIONS DEVELOPMENT DECADE

ECONOMIC AND SOCIAL COUNCIL  
Second regular session of 1984  
Item 5 of the provisional  
agenda\*\*

REVIEW AND APPRAISAL OF THE  
INTERNATIONAL DEVELOPMENT  
STRATEGY FOR THE THIRD  
UNITED NATIONS DEVELOPMENT  
DECADE

Review and Appraisal of the International Development Strategy  
for the Third United Nations Development Decade

Report of the Secretary-General

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
PREFACE .....		3
I. INTRODUCTION .....	1 - 10	4
II. PROBLEMS AND PROSPECTS OVER THE BALANCE OF THE DECADE .....	11 - 42	7
III. PROGRESS AND ISSUES IN IMPLEMENTATION OF POLICY MEASURES .....	43 - 328	17
A. International trade .....	44 - 72	17
B. Industrialization .....	73 - 87	24

\* A/39/50.

\*\* See Economic and Social Council decision 1984/101.

CONTENTS (continued)

	<u>Paragraphs</u>	<u>Page</u>
C. Food and agriculture .....	88 - 110	27
D. Financial resources for development .....	111 - 144	34
E. International monetary issues .....	145 - 165	45
F. Technical co-operation .....	166 - 196	51
G. Science and technology for development .....	197 - 208	58
H. Energy .....	209 - 222	61
I. Transport .....	223 - 237	65
J. Economic and technical co-operation among developing countries .....	238 - 273	68
K. Least developed countries, developing island countries, and land-locked developing countries .....	274 - 292	76
L. Environment .....	293 - 299	80
M. Human settlements .....	300 - 303	83
N. Disaster relief .....	304 - 307	84
O. Social development .....	308 - 328	84

## PREFACE

In its resolution 37/202 of 20 December 1982, the General Assembly requested the Secretary-General to prepare and submit to the Assembly at its thirty-ninth session, through the Committee on the Review and Appraisal of the Implementation of the International Development Strategy for the Third United Nations Development Decade and the Economic and Social Council, a comprehensive report and other appropriate documentation in order to assist in the review and appraisal. The Assembly reiterated the request in its resolution 38/152 of 19 December 1983, in which it invited the Secretary-General to prepare an analytical, comprehensive, consolidated and synthesized report drawing on the reports of the relevant organs, organizations and bodies of the United Nations system. Also relevant are Assembly resolution 37/203 of 20 December 1982, in which it requested the Secretary-General, as part of the review and appraisal, to analyse current negative trends in the world economy, and resolution 38/200 of 20 December 1983, in which it agreed that policy measures of an immediate nature should be taken into account in the review and appraisal.

The present report is submitted in response to those requests. The report endeavours to provide a systematic assessment of actual progress made in the first few years of the Decade towards the goals and objectives of the Strategy and, more particularly, in implementation of the policy measures recommended for realization of those goals and objectives. It indicates the reasons for shortfalls in performances, discusses the changes in economic circumstances which have taken place since the adoption of the Strategy, and considers the prospects for and measures needed over the balance of the Decade. The report draws extensively on work undertaken by the specialized agencies and other organizations of the United Nations family on trends and policies in recent years and, wherever available, on review and appraisal of the Strategy itself. In this latter regard, particular use has been made of preliminary papers submitted to, and discussions held within, inter-agency meetings convened under the auspices of the Administrative Committee on Co-ordination.

The present report is complemented by a separate report of the Secretary-General on social aspects of development which was requested by the Economic and Social Council in decision 1983/123, of 26 May 1983. That report provides a more detailed analysis of issues relating to social development within the context of the review and appraisal of the International Development Strategy.

The present report has been prepared in the Office of the Development Research and Policy Analysis of the Department of International Economic and Social Affairs.

## I. INTRODUCTION

1. The International Development Strategy for the Third United Nations Development Decade was adopted by the General Assembly on 5 December 1980 (resolution 35/56, annex) after protracted negotiations. It was adopted in an economic situation which was recognized to be deteriorating. The acceleration of inflation in the late 1970s, occasioned by the upward pressure of wage and energy costs, had persuaded leading industrial countries to implement rigorous anti-inflationary policies, and their economies had already begun to slow down during 1980. In these worsening conditions, adoption of the Strategy appeared as a salutary reaffirmation of the need for collective action to create an international environment distinctly more supportive of national development efforts. It was a reason for hope, and it was not the only reason. On the international economic agenda, the principal initiative at the time was the proposal to launch global negotiations with a view to strengthening international economic co-operation for development. Few foresaw that the recession would be so prolonged, would compel so many countries to retrench so deeply and would bring the system of international economic relations into such severe straits.

2. In the event, the actual economic performance of developing countries in the period since 1980 has been in stark contrast to the growth path traced in the Strategy. Performance of many developing countries has been characterized by economic stagnation or regression. In fact, for the developing countries as a group, per capita output declined in every one of the first three years of the Decade. The adverse trends in international trade and finance brought the external accounts of these countries under acute pressure and depressed their domestic production and investment. Export earnings, particularly from primary commodities, generally fell and the net inflow of financial resources contracted. For a number of countries, external payments difficulties were greatly exacerbated by a debt-service burden which had been transformed by the rise in interest rates, the shortening of repayment periods and additional borrowing. Many countries had no option but to retrench severely. Reductions in social programmes, falling industrial production, worsened urban unemployment, and spreading poverty and destitution have followed. While these set-backs in social progress took place, some of the underlying social trends none the less seemed to persist. In the developing world as a whole, the rate of growth of population has been declining, and in many areas, per capita food supplies continued to improve. Agriculture, in fact, was a major sector recording significant gains in numerous countries, though the advances generally fell somewhat short of the target set in the Strategy. Africa, however, remained an exception; because of agricultural performance as well as a steadily growing population, food availability on a per capita basis remained lower than at the beginning of the 1970s; and with widespread drought, the spectre of starvation is now evermore present.

3. It was undoubtedly the onset of the global recession that made for so dramatic a divergence between expectations and performance over the first few years of the Third United Nations Development Decade. While there was no assumption in the Strategy that the annual growth of either developed or developing countries would proceed smoothly, at a regular and even pace, the downturn which actually occurred was not a mild deviation from a rising trend, but a recession of an intensity and duration unprecedented in the whole post-war period.

4. However, it would be a very misleading oversimplification to trace the recent poor economic performance of developing countries as a group solely to the recession in economic activity of the developed market economies. For one thing, the performance of individual countries, and their flexibility in response to adverse circumstances, are also shaped by domestic policies. Some countries, for example, faced less stringent external payments positions in the recent past because they were benefiting from policies consistently pursued over the years to realize greater food self-sufficiency or to increase domestic energy production. Others, being very largely exporters of manufactures, increased their export earnings through forceful export-promotion measures.

5. But other considerations besides domestic policies shape the performance of countries in changing international economic conditions. While there is a growing recognition of the interdependence of countries throughout the world, the nature of such interdependence is by no means an unvarying set of relations determined simply by the interplay of market forces. The particular ways in which the recent recession in developed market economies has affected the developing countries, have thus been shaped by a complex of policies, both national and international, as well as by more deep-rooted institutional and structural conditions. The actual trends in developing countries over recent years, have been a consequence, not only of recession, but also of such policies and conditions. The Strategy puts forward changes in these policies and conditions which, had they been in place over the last few years, would have certainly altered the actual performance of developing countries. The array of measures relating to financial flows, to trade policies or to food supplies, for example, could not but have improved actual performance. But the first years of the Decade saw some erosion of collective international action. Political tensions between the major Powers were intensified, expenditure on armaments rose and unilateral or bilateral action was more often preferred to use of multilateral institutions or arrangements.

6. Partly as a consequence of the recession, the underlying economic circumstances affecting developing countries have changed in some important respects since adoption of the Strategy. The problem of servicing external debt has, for instance, acquired a gravity for numerous countries, as well as for the international community, that was unthought of at the time of formulation of the Strategy. Again, protectionist measures in industrial countries have multiplied in the much more defensive climate bred by recession. Indeed, it is for such reasons, as discussed more fully in the next chapter, that recovery in the developed countries, even if it gathers strength, may fail to restore momentum to the growth of numerous energy-importing developing countries. Circumstances have changed for the energy-exporting countries too. The strides taken in world energy conservation and the structural changes in production have greatly diminished their role as a growth pole in south-south trade and as a source of saving for other developing countries. Such changed circumstances greatly affect the prospects for development over the rest of the decade. The next chapter discusses the main difficulties that can be expected to be encountered in seeking to restore and accelerate development, and it indicates the likely pace of growth if policy-makers are not able to surmount the difficulties. The prognosis reveals the urgent need for reappraisal and reorientation of both domestic and international policies.

7. Do the changed circumstances mean that the policy recommendations which are set forth in the Strategy, have ceased to be relevant? The policy recommendations, their state of implementation and the present and prospective character of the problems to which they are addressed are reviewed at length in section III. Undoubtedly, the changes in circumstances have modified the configuration within which the different problems are set; they have magnified some problems and, in altering their relative importance, may have changed priorities. Attitudes and beliefs with regard to the efficacy of some measures have not remained unchanged either. None the less, there is a range of specific policy measures recommended in the Strategy which, though the argumentation in their support might not be altogether the same today, remain as valid as they did in 1980.

8. The Strategy sets forth numerous policy recommendations which are explicit and concrete measures, many of which were already within the power of individual Governments to implement or were already the subject of detailed international negotiations at the time of adoption of the Strategy. A few instances of such measures are those relating to food security and food aid, the establishment of the Common Fund to support the Integrated Programme of Commodities, the fulfilment of targets for Official Development Assistance (ODA) or, in international trade, the standstill provision regarding protection or the safeguard clause. Together, such concrete recommendations constituted a set of measures which, if implemented promptly, could have significantly affected the performance of developing countries even in these recent recessionary years. As documented in section III, a few steps have been taken in different fields to implement some of these measures. But the general record of implementation has been one of dilatory action, of inaction or even of a reversal of earlier, positive action.

9. The Strategy, however, goes far beyond the immediate first years in its intent and recommendations. As stated in the Preamble to the Charter of the United Nations, Governments reaffirmed their determination to establish a new international economic order and to implement the Charter of Economic Rights and Duties of States. The thrust of much of the Strategy is of a broad and far-reaching nature directed towards altering institutional and structural relations between developed and developing countries, among developing countries and within countries. It sets forth a number of broad recommendations which are in the nature of guiding principles for international co-operation. For the most part, the implementation of these recommendations is contingent on international negotiations to translate them into concrete programmes of action. It is these which were, in fact, to form the content of global negotiations. The failure to initiate those negotiations or to progress in sectoral fora in order to arrive at agreements on ways to strengthen international economic co-operation for development is a failure in implementation of the Strategy. The failure is all the more unfortunate since some of the problems to which global negotiations are to be addressed have not lessened but have become more pressing.

10. As a compact among Member States, the Strategy remains as relevant at the time of its adoption. Its objectives have been broadly accepted; what has been lacking has been the concurrence of views and of perceived interests on the actions to be followed in pursuit of those objectives. The hope must be reiterated that recognition of long-term mutual interests will counsel renewed efforts at co-operative approaches within a multilateral framework.

## II. PROBLEMS AND PROSPECTS OVER THE BALANCE OF THE DECADE

11. Largely induced by an unfavourable external environment, there was a widespread set-back to the development process during the early years of the 1980s. Not only has growth been interrupted, but declines in per capita income have been common in large areas of the developing world. Moreover the capacity of many developing countries to resume economic growth has been seriously weakened. This situation calls for an urgent reassessment and reorientation of both domestic and international policies with a view to restoring the dynamism of growth in developing countries. The analysis contained in the present section discusses the likely evolution of the world economy on the basis of present trends and policies and, in so doing, suggests some of the main problems and policy issues confronting the international community in reaccelerating development.

### A. The short-term outlook

12. A number of developed countries are now emerging from the most prolonged recession since the 1930s. After three years that saw per capita incomes decline sharply in developing countries as a whole and in a large number of countries considered individually, the recovery that is taking shape can be characterized as uneven and gradual (see table 1). In this year and next, an unsynchronized recovery in the developed market economies is expected to spread slowly to the developing countries. The most recent downturn in world economic activity, however, has impaired mechanisms for the smooth transmission of growth impulses, so that economic activity in numerous developing countries is expected to remain depressed in spite of the recovery under way in the industrial countries.

13. The recovery in the developed market economies as a group is not expected to be strong by past standards. While the average rate of growth of their GDP almost reached 4 per cent during 1976-1979 (the period of recovery from the recession of the mid-1970s), most current forecasts coincide in indicating that the annual growth rate for these countries may not exceed 3 per cent during the recovery period of 1983-1985. Up to now, the pick-up in economic activity has been concentrated in North America. In the United States of America, the recovery that began in 1983 has been led by consumer spending and has been aided by an expansionary monetary policy, tax cuts and falling fuel prices. There are indications of a pick-up in private investment, which, if it becomes substantial, could sustain recovery beyond late 1985. The slower pace of recovery in Europe relative to other developed market economies is due mainly to cautious fiscal and monetary policies, adopted partly in response to views about budget deficits as well as to high interest rates in the United States. Japan's economy is expected to grow at rates somewhat above 4 per cent in 1984-1985 mainly because of rising exports and a rebound in investment.

14. The recovery of the centrally planned economies of Eastern Europe, which started in 1983, should be strengthened in 1984 and sustained in 1985 with average growth rates of about 4 per cent. A roughly similar pace of growth is expected for the Soviet Union. While this upturn would normally create room for trade, all of the Eastern European countries continue to pursue policies of import restraint as well as of export promotion, especially in relation to market economies.

Table 1. Economic growth in developing countries, 1976-1990  
 (Average annual rate of growth in gross domestic product)

	1976-1980	1981-1983 <u>a/</u>	1984-1985 <u>b/</u>	1986-1990 <u>b/</u>
Developing countries	5.0	0.7	3.5	3.5-4.5
Africa	4.4	0.2	2.5	3-4
Mediterranean <u>c/</u>	4.7	2.3	3.5	3.5-4.5
South and East Asia	6.0	5.1	5.5	5.6
West Asia	4.0	-1.6	4	3-4
Western Hemisphere	5.2	-1.2	3	3-4
Least developed countries	3.1	1.6	2.5	2.5-3.5
Memo items:				
Rates of growth of:				
GDP in developed market economies	3.5	1.1	3.5	2.5-3
NMP in centrally planned economies <u>d/</u>	4.6	3.4	4	...
Volume of world exports	5.2	-0.1	6	4-4.5
Volume of exports of developing countries <u>e/</u>	2.0 (5.8)	-3.4 (3.5)	5.8 (6.5)	3.5-4.5 (4.5-5.5)

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

a/ Data for 1983 are preliminary estimates.

b/ Secretariat estimates of likely growth rates based on forecasts and projections of Project LINK, the ACC Task Force on Long-term Development Objectives, UNCTAD, IMF, the World Bank and plans for the centrally planned economies.

c/ Cyprus, Malta, Turkey, Yugoslavia.

d/ Net material product of China, Eastern Europe and the Union of Soviet Socialist Republics.

e/ Figures in parenthesis reflect the exports of developing countries excluding the capital-surplus countries.



15. The limited strength of the economic recovery in the developed market economies as a group and the continuing problems being experienced by some developing countries that hitherto had been important growth poles in the world economy translate into relatively slow rates of expansion of world trade. During 1984-1985, world trade is expected to rise by about 5 per cent per annum. While this rate appears to be robust, it is less than the rate of slightly above 6 to 6.5 per cent recorded during the cyclical recovery of 1976-1979 and it follows the decline in real world exports that took place from 1980 to the middle of 1983.

16. Economic growth in developing countries as a group is expected to be sluggish in 1984-1985. This means that aggregate real per capita GDP will experience a significant decline in the first half of the 1980s. The economies of South and East Asia, however, constitute an important exception; they are likely to be in a position to permit appreciable increases in imports and to realize substantial domestic growth. Growth in other groups of developing countries will probably continue to be hindered by exogenous factors. The process of retrenchment and adjustment to severe external imbalances is likely to continue in both energy-exporting and energy-importing countries. Debt-servicing ratios are high and are not expected to fall significantly, particularly in view of the prospects for interest rates on non-concessional official loans and private credit (see table 2). Since increases in fuel demand will be very modest and current inventories are ample, the tight external position of the majority of the energy exporters is unlikely to be relieved.

Table 2. Debt-servicing ratios of capital-importing developing countries

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Amortization plus interest payments as a per cent of export earnings	37.0	36.4	38.1	48.2	60.0	53.0
Interest payments as a per cent of export earnings	7.6	9.1	10.5	13.3	15.0	14.0

Source: Department of International Economic and Social Affairs, based on International Monetary Fund, World Economic Outlook 1983 (Washington, D.C.); and Organisation for Economic Co-operation and Development, various studies.

17. The pressures on many energy-importing countries to limit the expansion of their import levels will probably continue. While some improvement in the terms of trade of countries depending on primary commodities may well take place, even the most optimistic scenarios do not foresee a full recovery of primary commodity

prices in the near future. Nor are export volumes likely to expand at rates that could bring significant relief to the payments positions of these countries. Since capital flows are expected to resume their upward trend very slowly, the increases in export earnings that do occur will probably be allocated on a priority basis to winding down external debt positions and to replenishing the depleted levels of international reserves rather than to increasing import levels.

18. Although debt-servicing problems are more general, they are affecting Latin American countries with particular intensity. The highest ratios of debt service and total debt to export earnings are to be found among these countries. While for capital-importing developing countries as a whole interest payments in relation to export-earnings increased from 7.6 per cent in 1978 to 13 per cent in 1983, the corresponding figure in Latin America increased from 15.5 per cent in 1978 to 35 per cent in 1983. Therefore, policies towards imports will have to remain very cautious. As a consequence, the rates of economic growth forecast for Latin American countries until the middle of the decade are well below their post-war trends.

19. The lowest rates of expansion forecast for 1984-1985 are in the least developed countries, most of which are located in sub-Saharan Africa. Forecast growth rates for aggregate GDP that barely keep up with population increases are a cause for serious concern. Barring supply shocks, the prices of the commodities these countries export (and particularly tropical beverages) are expected to lag significantly behind the prices for other internationally traded commodities, so that their terms of trade may continue to deteriorate even in the context of a moderate recovery in the expansion of international trade. The severe drought, which is so seriously affecting their agricultural performance, is also necessitating the diversion of scarce foreign exchange to the importation of food.

#### 1. The characteristics of the short-term outlook

20. Two striking characteristics of the current evolution of the world economy emerge from this brief review of the short-term outlook. The first is that, while recovery from recession is taking place in the developed market economies, it does not follow that developing countries will automatically, after a time lag, be drawn up into a similar upswing in activity. Some parts of the developing world have weathered the recession remarkably well and show promise of maintaining their recent growth. But there are also numerous countries, especially in sub-Saharan Africa and Latin America, which are emerging from the economic experience of recent years with both external and internal imbalances that will effectively impede their recovery. Even among the developed market economies themselves, there is yet no assurance that the vigorous recovery in North America will generate a comparable expansion of economic activity in Western Europe.

21. The second characteristic, which partly explains the first, is the influence of the interactions among the different groups of countries. Economic events and policies within each group are a major influence on performance of the others. These influences, however, are not necessarily mutually reinforcing; in present circumstances, many of them are contradictory. It is evident, for instance, that

without a strong and sustained growth in export earnings, many developing countries will continue to face severe debt-servicing and liquidity difficulties that will permit little relaxation of restraints on imports. Those same difficulties are preventing countries from promoting the investment, financed either by foreign borrowing or by domestic investors, which is needed to effect the structural adjustment that could, in the longer term, relieve the external payments difficulties. This contributes at the international level to uncertainties and fears about the capacity of such countries to service their renegotiated debt, particularly when full amortization payments are resumed. Further, the restraint exercised by developing countries on imports translates into lower growth in exports from developed countries and, for the more foreign-trade-oriented countries, such as most of the economies of Western Europe, the stimulus to growth arising from their export sectors is significantly diminished. But it is partly the weakness of the recovery in Western Europe which is dampening down the gains in primary commodity prices and export earnings of developing countries. At the same time, while it detracts from the stimulus to the world economy generated by the recovery of the United States, the very cautious policy stance of European countries can be partially traced to the limited room for manoeuvre which these countries perceive as theirs by virtue of the high United States interest rates. No less important, the same high-interest rates very considerably aggravate the current debt-servicing burden of developing countries, adding markedly to the deep cuts in imports which the more heavily indebted countries have had to make.

## B. Problems and prospects for the second half of the Decade

### 1. Global prospects

22. While emergency situations could be quickly altered by immediate action, the general strength and pattern of the world's economic recovery in the next two years is already set within discernable bounds by the trends and policies that are now in place. By contrast, the growth prospects for the second half of the decade are necessarily more conjectural in nature. Future policy stances, which will influence the future course of events, are not presently known. It is, however, possible to put forward a view of the likely evolution of development on the assumption that presently discernable trends and current policy stances remain largely unchanged. The value of such analysis is not that it offers a forecast, but that it identifies main factors likely to influence development. The obstacles to accelerated development which can thus be singled out, are the problems to be addressed by policies.

23. The projections presented in table 1 assume the absence of significant policy changes. They indicate that aggregate growth in the developing world between 1986 and 1990 is likely to be in the range of 3.5 to 4.5 per cent per annum, yielding very modest increases in per capita output over the decade as a whole. Some of the broad differences in past patterns of growth would be maintained, with the least developed and other low-income countries mostly recording the slowest rates of economic expansion. However, growth in the major energy exporters and the most heavily indebted countries, particularly those in Latin America, would experience a serious loss of momentum. The countries of South and East Asia could, however, come close to replicating their economic performance of the second half of the 1970s.

24. In reinforcing or impeding the implementation of effective domestic policies, the external environment prevailing in the remainder of the 1980s will be a key variable conditioning prospects for developing countries. Although during the past 10 to 15 years developing countries have intensified trade and financial relations among themselves, the developed market economies still are, and will remain for the balance of the decade, their principal export market and source of external financing.

25. The medium-term growth prospects of the developed market economies are generally viewed cautiously. Since the early 1970s, the trend of growth in the developed market economies has been downward. While the growth of output averaged 5 per cent per annum during 1964-1973, it amounted to only 2.1 per cent per annum between 1974 and 1983. Many factors have undoubtedly contributed to this decline in growth momentum, but perhaps the most important has been the loss of dynamism of capital formation. The growth in gross fixed investment decelerated from over 6 per cent per annum in 1964-1973 to between 0 and 0.5 per cent in 1974-1983. The significance of such deceleration is not only the loss of the short-term expansionary effects which investment has on aggregate demand; it also derives from the role of investment as the main vehicle for technological innovation and rising labour productivity.

26. Several factors have doubtless influenced the behaviour of fixed investment. In very recent years, investment has clearly been depressed by low rates of capacity utilization. While the very appreciable slow-down in inflation in many countries is giving policy-makers greater room for manoeuvre and while rates of capacity-utilization are rising, fears of a recrudescence of inflation remain strong and policy-makers can be expected to continue to give high priority to its containment. Consequently, uncertainties regarding the course of future demand management policies may discourage businesses from adding substantially to existing productive capacity. International uncertainties, including volatile exchange rates and growing protectionist threats, may also contribute to impairment of the investment climate. Further, most analyses expect high real long-term interest rates to remain a feature of international capital markets for some time to come, particularly in view of the high and increasing fiscal deficit in the United States.

27. It is certainly possible that continued recovery will not be accompanied by a marked acceleration of inflation and that business confidence in the outlook for the next three or four years will continue to improve. As the opportunities for technological innovation have been cumulating, the outcome could be a new wave of investment activity and a rising rate of economic growth. However, in the absence of more conclusive evidence that Governments will be able steadily to pursue policy measures that are both expansionary and non-inflationary, expectations have yet to be muted. On average, the rate of growth of GDP in the developed market economies as a group could be in the range of no more than 2.5-3.0 per cent per annum during the second half of the decade.

28. Such a subdued pace of economic activity in the developed market economies could bring about a rate of expansion in the volume of world trade significantly slower than that recorded in earlier periods. The exports of developing countries would be adversely affected by such a trend. Demand in the developed market

economies for imports of primary commodities is closely linked to the pace of increase in incomes, and the performance of primary commodity exports in both price and volume may, therefore, well remain weak. This could be particularly the case with oil. Adjustment to past oil-price changes in the industrial countries is a structural phenomenon having a significant long-term impact on trade in energy products; continued progress in conservation would accentuate the effects of slow growth in final demand. Among other primary commodities, there are some whose prices are influenced more by fluctuations in supply than in demand and which are currently in excess supply. Leaving aside unpredictable supply shocks, prices of tropical beverages, for example, may recover very slowly over the next few years and could then stagnate in real terms until the end of the decade.

29. Trends in prices and volume of internationally traded primary commodities, however, are shaped not only by market forces, but also by the policies of Governments. Domestic agriculture markets, for instance, are generally highly protected and tariff régimes often discriminate against the more processed products. As discussed later, the Strategy identifies a number of measures which, if implemented, could improve the export performance of primary producers in the years to come.

30. Exports of manufactures should continue to increase at an appreciably faster rate than exports of primary commodities. They currently account for no more than 3 per cent of the total consumption of manufactures in the developed market economies, and there, therefore, appear to be considerable possibilities for further penetration of these markets. This could help to offset the dampening effect of a slower growth in incomes on demand for manufactures. In some major product lines, however, the degree of import penetration is already considerable, and further gains are barred by trade restrictions. In textiles or clothing, for example, current non-tariff barriers allow for practically no growth in imports from developing countries. Continued diversification of exports of manufactures can help to maintain their overall growth in the face of specific non-tariff barriers. Protectionist measures, however, have spread in the very recent past to numerous products of particular interest to developing countries and, as unemployment in the industrial countries is projected to remain high by historical standards, the resistance to the dismantling of existing barriers is likely to remain strong and, indeed, there may be further intensification of protectionist pressures.

31. It is true that, even in the prevailing climate, some individual developing countries have been able to continue to increase their exports of manufactures strongly. But it is highly problematic whether developing countries as a group - and the number with the capacity to export manufactures is growing - can count on the possibility of similar strong growth in the face of present policy stances of the developed countries and the pace at which they are willing to encourage domestic structural change. While there is widespread agreement about the desirability of structural change in developing countries which gives rise, *inter alia*, to expanding exports of manufactures, a needed counterpart to such an export-oriented strategy is comparable structural adjustment in developed countries. Adjustment in these latter countries is, moreover, also widely acknowledged to be a positive measure supporting their own long-term growth.

32. There is a parallel in trade relations between the centrally planned economies and the developing countries. The ongoing restructuring of the centrally planned economies opens up opportunities for increased trade in the longer run. The realization of these opportunities depends on the introduction of greater flexibility in the established trade mechanisms of the planned economies. Those changes could be explored in the context of the preparation of the next set of medium-term plans for the period 1986-1990. The Strategy addresses itself to such interrelated issues of commercial policy and structural change. It is an area in which implementation of already agreed measures and examination of new approaches are both greatly needed.

33. Prospects for non-concessional capital flows are partly dependent on those for trade and export earnings. Private flows, particularly bank lending, have fallen sharply in the last two years. Some recovery in those flows can be expected as the current liquidity problems of borrowing-developing countries are gradually eased with a measure of revival in their export earnings. In the longer term, however, bank lending is unlikely to expand at rates similar to those experienced in the 1970s. It is true that countries which have previously borrowed little, or not at all, may assume some modest importance in private capital markets. These, however, are mostly lower-income countries which, by virtue of their more limited debt-servicing capacity, are unlikely to attract large flows of private capital. Among the higher-income countries which have borrowed more heavily in the past, both lenders and borrowers are likely to take a more stringent view in the future of the acceptable debt-service ratio. After expanding by over 20 per cent per annum during the 1970s, net bank lending in nominal terms is now projected to grow at an annual rate of between 5 and 10 per cent during the remainder of the 1980s. <sup>1/</sup> Unless there is a clear change in policies affecting the multilateral development institutions, the projected decline in the growth of private-bank lending would not be compensated by commensurate increases in official non-concessional multilateral lending.

34. Yet an international system which makes possible the transfer of only modest amounts of non-concessional loan capital to faster-growing, emerging countries is not an efficient system. Though developing countries generally have increased their domestic saving strongly, the pattern of historical experience has been that, in the phase of potentially more rapid development, in which many of those countries now find themselves, an inflow of foreign capital has been a highly productive supplement to domestic resources. Improving international mechanisms for such transfers is addressed in the Strategy and is discussed further in section III, particularly in the light of recent experience.

35. Private direct investment can supplement other forms of private financial flows, and in recent years policies in a number of developing countries have become more favourable to direct investment. Private investment flows, however, are heavily contingent on the expected balance of payments position and general economic prospects of recipient countries. Its expansion presupposes a comparatively stable environment which is not threatened by liquidity crises, a spread of protectionism, domestic upheavals or other such causes of dislocation.

36. The evolution of ODA will be of particular importance to the least developed and other low-income countries, where ODA flows often finance a significant proportion of total investment expenditures. Current policies and attitudes in major developed market economies are not favourable to a sharp increase in those flows. Recent projections by the World Bank assume ODA from industrial countries as a group rising in step with their GDP up to 1995. 2/ This would imply that, by 1990, the developed market economies would still be only half way to meeting the 0.7 per cent ODA target that the Strategy had set for 1985. Nor can the donors among the energy-exporting countries be expected to increase their concessional flows to other developing countries. In fact, the prospective current account position of developing country donors suggests that additional efforts will be needed even to maintain present flows. It is not known what may influence the future course of concessional flows from centrally planned economies.

## 2. Self-reliant growth

37. While the outlook for the external environment does not appear very propitious, the performance of the developing countries over the balance of the decade will, in large part, be shaped by domestic events and policies. It is pertinent to recall that the rate of growth in output of the energy-importing countries as a group was roughly the same in the 1970s - almost 5.2 per cent - as it had been in the 1960s, although the growth of the developed market economies declined markedly from almost 5 per cent in the 1960s to slightly over 3 per cent in the 1970s. It is true that the weakened external stimulus originating in the developed market economies was, to some extent, offset by the burgeoning import demand of oil-exporting countries. It is also true that growth was sustained, or accelerated, in some countries at the cost of rising external indebtedness. But the principal impetus to sustained growth came from within the developing countries themselves. While the volume of exports from the newly industrializing countries rose strongly, partly in response to export-promoting policies more generally, agricultural performance was good. Rising levels of domestic investment and saving lay behind the strong expansion in productive capacity. 3/

38. In the years ahead, as pointed out earlier, it may be less easy for the newly industrializing countries to find a stimulus to domestic investment through the generation of export markets. There is the likelihood that access to those markets may be further reduced or that competition in those markets would intensify, and both would lessen the possibilities for profitable investment in exporting activities. It is probable that countries will have to give greater weight to measures which encourage import-substituting production in order to sustain levels of domestic investment and to realize a growing output. The scope for the selective expansion of import-substituting production remains large in such sectors as food and energy. While some countries have made substantial progress, others still record heavy net imports. At the same time, however, experience has demonstrated that the general pursuit of import-substituting policies of industrialization has limits, limits which may be quite quickly reached in smaller countries. The creation and operation of new productive capacity usually generate additional demand for imported supplies of capital equipment, raw materials and intermediate goods. And because of the small size of domestic markets, the intensive pursuit of import-substituting policies has often resulted in the multiplication of plants and industries of uneconomic size.

39. There is undoubtedly scope for steadily increasing trade among developing countries. Such trade was set back by the recession, but a recovery will surely take place in coming years. Rates of expansion similar to those experienced prior to the recession, however, may be difficult to achieve. Many of the countries that were growth poles within the developing world are unlikely to increase imports at the same rates as in the 1970s. The Latin American countries will continue to experience extreme payments difficulties, while weak oil markets will not allow the energy exporters to increase their imports at rates similar to those of the past.

40. Despite the difficulties, there is no doubt that more intensive pursuit of self-reliant policies can go some way towards offsetting the adverse effects of a less favourable external environment on the pace of development. One key line of collective action is the implementation of measures to facilitate the expansion of trade, financial flows and other economic links among the developing countries themselves. But countries individually may also be able to improve their performance appreciably through changes in economic management and institutions which will enhance efficiency in the allocation and use of resources. Likewise, policies to continue the generally good performance of the 1970s in raising rates of domestic saving need to be consistently pursued. Those could be undermined if the trend towards rising budget deficits, which are evident in the developing world as well as in developed market economies, is not effectively arrested and reversed.

41. But for the developing countries as a group, the limitation on the possibilities for an internally generated acceleration of development within the space of a decade have to be recognized. The conditions for more autonomous growth, less dominated by the external environment, can only be gradually strengthened. At the heart of the matter is the capacity of each society to generate, absorb and apply new technologies. Educational policies and other measures to develop the innovative capabilities of society - to select, adapt and diffuse new techniques and organizational approaches to complex problems - are of key importance in this context as well as in their own right. But equally are the health, nutritional and other social policies which make for a vigorous and healthy population.

42. Views invariably differ on the relative importance of domestic policies and the external environment. But the need for both effective domestic policies and a favourable external environment to accelerate development would not be contested. In the larger sense, a favourable external environment must be interpreted to embrace an international political climate not threatened by grave political tensions and a menacing arms race. In a more immediate sense, it will be largely shaped by the responses to the problems and policy recommendations discussed in the next chapter.



### III. PROGRESS AND ISSUES IN IMPLEMENTATION OF POLICY MEASURES

43. The present section provides an assessment of recent trends and policies in individual sectors both of national economies and of the international economy. It indicates the changes in circumstances which have taken place since the adoption of the Strategy, reviews progress in implementation of policy measures recommended in the Strategy and considers the needed direction of change in policies in the years ahead. The subsections correspond in number, titles and order to those contained in section III on policy measures of the International Development Strategy itself.

#### A. International trade

44. The International Development Strategy singled out the growth of exports and imports of developing countries as major objectives. The volumes of exports and imports of goods and services were to expand at annual rates of 7.5 and 8 per cent, respectively, during the Third United Nations Development Decade. As with the other quantitative targets of the Strategy, the rates of growth of trade volumes have so far fallen very significantly behind target (see table 3). The slow-down in the growth of world trade since the onset of the international recession has had an adverse impact on the exports of developing countries. On the other hand, liquidity problems in many countries have required the implementation of drastic measures of import restraint. Declining import levels, particularly of capital goods and intermediate inputs, have been one of the most important factors behind the poor overall economic performance of developing countries in 1982-1983.

45. Much of the recent downturn in developing countries' exports is recession-induced and could be expected to be partially reversed with faster economic growth in the industrial centres and an improvement of the world economy at large. The intensification of protectionist tendencies, however, has also had an effect, and if they are not decisively reversed, the rate of expansion in the exports of developing countries might be seriously affected for the remainder of the decade. A much slower expansion of exports would be a serious constraint on the growth of imports and on restoration of the pace of development. As the experience of the past two decades has demonstrated, rapid growth in exports and investment in export-oriented activities requires the maintenance of clear international rules that favour an open trading system. For the countries facing severe debt-servicing difficulties, it is essential that markets remain open. Only through sustained export growth can those countries hope to reduce their debt burden.

Table 3. Developing countries: rates of growth of export and import volumes, 1981-1983

(Percentage)

	1981	1982	1983 a/
<u>Export volume</u>			
Developing countries	- 4.8	- 4.8	-0.5
Net energy exporters	-12.5	-12.8	-4.5
Net energy importers	11.1	7.9	5.0
<u>Import volume</u>			
Developing countries	14.3	-0.2	-7.0
Net energy exporters	25.1	3.0	-11.5
Net energy importers	6.1	-3.1	-2.5

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

a/ Preliminary estimates, rounded to the nearest half percentage point.

1. Protectionism and structural adjustment in industrial countries

46. There is an urgent need to strengthen the international trading system to ensure developing-country exporters continued access to the markets of the industrial countries. To this end, the Strategy calls for greater efforts towards trade liberalization and structural adjustment. Specifically, it calls on countries to implement the agreements reached in the Tokyo Round of Multilateral Trade Negotiations so as to reduce non-tariff barriers; to adhere to the standstill provisions and reduce existing restrictions on imports from developing countries, particularly in agricultural and tropical products; avoid sectoral agreements which hamper trade growth; and agree on a multilateral safeguard system.

47. Subsequent policy pronouncements by world leaders at Cancún, Versailles and Williamsburg have likewise reiterated a commitment to an open, multilateral trading system and stressed the need to halt and reverse protectionist tendencies. The promotion of trade liberalization and expansion and the setting of priorities for future co-operation in trade matters was also the underlying theme of the GATT Ministerial Meeting of November 1982. And at the sixth session of UNCTAD, the Conference, in resolution 159 (VI) of 2 July 1983, urged developed countries, inter alia, to adhere to the standstill provisions, to work towards reducing and eliminating quantitative restrictions and to follow policies to facilitate structural adjustment.

48. Yet, despite all the pledges further to liberalize trade, protectionism has been clearly on the rise, and attitudes towards protection are changing: for reasons perhaps more pragmatic than conceptual, trade controls are increasingly regarded as normal, and the burden of proof is shifting to those who advocate open markets. The growing number of trade barriers erected in recent years are clear evidence of retrenchment from a more open trading system. While further tariff reductions continued to be implemented by the industrial countries within the framework of the commitments undertaken in the MTN, the trend towards increasing use of non-tariff barriers in evidence since the mid-1970s accelerated during the first few years of the 1980s. Those barriers affected products of particular export interest to developing countries, such as textiles and clothing, steel and a number of agricultural products.

49. Developing country exports of textiles and clothing have long been subject to quantitative restrictions. Successive renegotiations of the arrangement regarding International Trade in Textiles, known as the Multifibre Arrangement, adopted by the Contracting Parties to GATT at Geneva on 20 December 1973, have made the Arrangement increasingly restrictive as regards permissible increases in imports. As a result, exports of developing country textiles to the industrial countries have slowed down considerably. In fact, a recent GATT study shows that developed country imports of textiles from developing countries declined in 1981. 5/

50. The latest Multifibre Arrangement, in effect from 1 January 1982 to 31 July 1986, covers some 85 per cent of trade in textiles and clothing and contains more than 3,000 quotas for different countries or areas and different products. The terms are similar to those of the previous Arrangement, allowing little or no growth overall, and with the greatest restrictions placed on categories considered "sensitive" and on dominant suppliers. The latter (notably the Republic of Korea and Hong Kong) have been required to surrender part of their quotas in order to accommodate new suppliers (such as Indonesia and Sri Lanka). In addition, an "anti-surge" mechanism has been incorporated in the bilateral agreements with the EEC, whereby the EEC countries are permitted to introduce temporary import restraints in case of a sudden rise in imports. Meanwhile, since mid-1983, the United States has mitigated the renegotiation of 50 bilateral agreements, including those with Pakistan, the Republic of Korea and Hong Kong, all of which had been in effect for less than two years.

51. Other industrial products have also faced increasing protectionist measures. A case in point is steel. In July 1983, the United States announced the imposition of import duties and quotas on a number of steel products. The countries affected included several developing countries. For their part, Canada and the European Economic Community (EEC) have initiated anti-dumping procedures against producers in a number of developing countries.

52. The access to markets for agricultural products has long been restricted in the developed countries. In recent years, the protection of domestic sugar production and the subsidization of sugar exports in the developed market economies have increased substantially, to the detriment of developing countries. It should be borne in mind that sugar is a major export of many developing countries, which have a significant cost advantage over the developed countries in the production of

that commodity. The dispute between developing countries and EEC is not only that the latter protects its domestic markets, but that, in addition, export subsidies have now transformed it into the world's main exporter of sugar. In May 1982, the United States reintroduced sugar import quotas, fixing them at about 75 per cent of their 1980 levels.

53. The intensity of protectionist pressures may abate somewhat with faster rates of economic growth and higher rates of investment. But existing maladjustments in industrial structures may prove to be serious obstacles to trade liberalization. Policies actively in support of structural adjustment are needed if the spread of protectionism is to be contained and existing barriers gradually dismantled. A determination to overcome the obstacles to structural adjustments may require a greater commitment to maintaining an open trading system than that evinced by the concrete actions of the main trading countries in the past few years.

54. One such obstacle is the likelihood that unemployment may remain high for a number of years. The relatively slow rates of growth of aggregate output projected in chapter II imply that overall rates of unemployment will probably be higher in the 1980s than in preceding decades. Unemployment in industries affected by import competition from both other developed and from developing countries (for example, steel, automobiles and textiles) are particularly high and, in the absence of policies to shift the unemployed to other lines of activity, it is unlikely to fall to levels that would reduce the pressure on policy-makers to maintain, or even increase, existing barriers to trade. Thus, the political feasibility of winding down existing trade restrictions and avoiding the imposition of new ones would probably be eased by active policies of structural adjustment.

55. A related difficulty is the fact that non-tariff barriers are highly concentrated in sectors where new suppliers (particularly from developing countries) have become more cost efficient than the more traditional producers. In those sectors, the shift in comparative advantage to producers from developing countries is a long-term trend which will not be affected by stronger economic growth in the developed market economies. That consideration strengthens the need to bring about structural adjustment as a means to facilitate the dismantling of trade barriers.

56. Protectionist pressures are unlikely to diminish of their own accord, and trade could become increasingly restricted. The spread of protectionism has weakened the defence of free trade. Within countries, the success of increasing numbers of sectors in obtaining protection from import competition may have weakened the ability of the political and economic system to prevent other, previously unprotected sectors from obtaining similar political favours. In particular, protectionism tends to spread from one product to its user industries, which are rendered uncompetitive by protection and thus have a good case for demanding protective measures for themselves. In an international context, it is more difficult to argue for the maintenance of open markets when protectionist measures are being increasingly adopted abroad. To arrest and reverse the powerful forces contributing to the spread of protectionism within countries and internationally, there is need for a clear commitment to maintain an open trading system. But commitment has to be translated into action through support of standing arrangements and the development of new mechanisms, most especially an effective means of dealing in a fair way with non-tariff barriers.

2. The need to improve and apply the trading rules

57. If those forces are to be successfully contained, individual countries will have to strengthen their resolve to maintain an open trading system, and international action to make the GATT a more effective instrument will have to be given top priority.

58. A clear commitment by the major trading nations going beyond mere declarations is an important ingredient in resisting further protectionist encroachments and in working for the gradual restoration of an open trading system. There has to be an awareness among policy-makers and the public in general that protectionism is calculated to resist adjustment to shifts in comparative advantage.

59. An important item on the agenda for the future should be the strengthening of the authority and credibility of GATT. This would entail, *inter alia*, the development of multilaterally agreed criteria to resolve the ambiguities contained in some of the codes on a variety of non-tariff barriers that emerged from the Tokyo Round of Multilateral Trade Negotiations, the codes of which sanction a number of protective measures, whose application is contingent upon determination of the existence of certain economic criteria, such as "injury" and "market disruption". In the absence of multilaterally agreed norms, the interpretation of the criteria themselves has become a matter for negotiation, the outcome of which is largely determined by the bargaining strength of the parties concerned. Furthermore, the fact that some of the codes can be interpreted as excluding non-signatories from their benefits raises questions about the inviolability of the unconditional most-favoured-nation principle. Since, on the one hand, the most-favoured-nation clause is a fundamental principle of GATT, but, on the other, accession to the codes is voluntary and not all GATT members are signatories to all the codes, 6/ it becomes necessary to specify the ways in which the rights of non-signatories are affected by the codes.

60. Strengthening GATT would also entail the successful negotiation of an effective and equitable safeguard clause, which should be flexible enough so that countries neither feel compelled to resort to protective measures outside the system nor refrain from making further concessions within it and yet strict enough so as not merely to legitimize measures currently in use which contravene GATT. The objective would be to bring both formal and informal non-tariff barriers under international surveillance, subjecting them to multilaterally agreed rules and procedures. To this end, certain guidelines need to be established. Safeguard action should be non-discriminatory, as selectivity introduces a bias against countries with little retaliatory power and removes broad-based pressures for avoiding import restrictions. In order to render it more transparent, safeguard action could take the form of tariff rather than non-tariff measures. In addition, the safeguard clause needs to specify the conditions under which safeguard action is permitted and provisions for the eventual dismantling of the restrictions, as well as for the compensation of affected parties. 7/

61. In strengthening GATT, procedures for the settlement of disputes need to be improved so that outcomes conform more to multilaterally agreed rules and less to the bargaining power of the disputing parties. At the same time, the mechanisms of

surveillance ought to be extended and GATT given a clear mandate enabling it to initiate inquiries into questionable trade practices. In this regard, the mandate contained in the Ministerial Declaration of November 1982 to set up a special group to study quantitative restrictions and other non-tariff measures, is a step in the right direction.

62. Although a first task is to ensure greater adherence to the rules and procedures of GATT, the Agreement could gradually broaden its scope to areas hitherto largely outside its realm such as agriculture, and to procure the eventual transformation of the Multifibre Arrangement, which is presently a separate legal framework, into a normal safeguard action under article XIX. Some of those issues were addressed in the Ministerial Declaration, which called for, inter alia, the establishment of a Committee on Trade and Agriculture and for a study on the consequences of phasing out the Arrangement.

63. A number of other initiatives to improve the trading climate will also be necessary in the remainder of the Decade. The International Development Strategy calls, inter alia, for adherence to the standstill provisions. Unlike previous "trade pledges", which were mere declarations of principle on the part of industrial countries, a new standstill agreement could contain provisions for compensating affected parties and for retaliation against the offending country if it fails either to withdraw the restriction or to provide compensation; and it could establish a monitoring committee which would be notified of violations and which would determine appropriate action. The launching of a new round of multilateral trade negotiations, centred on the elimination of non-tariff barriers, would be useful not only for the concrete results it might achieve, but also as a deterrent to further protectionist encroachment. Alternatively, GATT meetings at the ministerial level could be held periodically in an attempt to seize the initiative in arresting the deterioration of the trading climate and to provide a continuing forum where trade and trade-related financial issues could be examined.

### 3. The generalized system of preferences

64. The continuation of the generalized, non-reciprocal and non-discriminatory system of preferences in favour of developing countries was seen in the Strategy as making a significant contribution toward meeting its export growth objectives. The generalized system of preferences (GSP) has not lived up to expectations as a tool for increasing the exports of developing countries to the industrial centres. Although 11 industrial countries maintain preference schemes in favour of developing countries, the product coverage of the schemes is limited, as "sensitive" products (for example, textiles, footwear, leather, and some mineral and agricultural products) are typically excluded. In addition, trade enjoying preferential treatment is subject to quantitative restrictions. The value of imports of the developed market economies from developing countries covered by existing GSP schemes is 18 per cent.

65. In recent years, the value of tariff preferences to developing country exports has been eroded by the steady decrease in tariff levels in the developed countries

and by the increasing resort to non-tariff barriers. In addition, the GSP schemes themselves have, to some extent, become victims of the growing protectionist trend. Both the United States and EEC have introduced the practice of "graduating" from their systems the more industrialized developing countries, precisely those that have been able to become competitive in industrial country markets. The United States and EEC have also introduced selective safeguard clauses into their schemes, whereby they are able to withdraw preferences or limit access to their markets when imports from a specific country are deemed to threaten domestic producers. Thus, the trend has been to impose low quotas on competitive suppliers and to relax or eliminate quantitative and tariff restrictions on countries that are less able to make use of the benefits granted.

#### 4. The Integrated Programme for Commodities

66. The export earnings of developing countries are subject to large fluctuations, mainly because of instability in the international prices for primary commodities. Those unforeseen variations in export earnings render development planning very difficult. Thus, one of the objectives of the Strategy is to strengthen the Integrated Programme for Commodities. To that end, the Programme urges that the Common Fund for Commodities 8/ be brought into full and effective operation and that new international commodity agreements, with initial emphasis on the core commodities of the Programme, be concluded.

67. Though agreement was reached in UNCTAD to set up the Common Fund several years ago, not enough countries have yet ratified it for the Fund to start operations. As at 1 January 1984, the Common Fund had been ratified by 70 States. Its entry into force requires ratification by 90 States accounting for two thirds of the Fund's directly contributed capital of \$US 470 million.

68. As regards commodity agreements, the International Natural Rubber Agreement, in effect since April 1982, is the only new agreement with price stabilization provisions to be successfully negotiated since 1980 in the context of the Integrated Programme for Commodities. In October 1982, the International Agreement on Jute and Jute Products was successfully negotiated under the Integrated Programme, but it contains no price support mechanisms.

69. It appears that there is a trend towards the negotiation of international agreements with no price support provisions. The progress that has been made in talks on cotton, hard fibres, tropical timber, bananas and meat relate to possible co-operation on research and development and perhaps commercialization, but not in the area of price supports. Meanwhile, there has been no progress in talks on metals and minerals.

70. The commodity agreements already in effect on cocoa, coffee, olive oil, sugar and tin have been generally unable to support prices above minimum levels in view of over-supply in these markets and the fact that most of those agreements contain only modest stocking or supply-restraining mechanisms.

71. The events of the early 1980s clearly showed the need to have in place the various components of the Integrated Programme for Commodities. A comprehensive set of mechanisms to reduce commodity price fluctuations could have softened the impact of the recession on the export earnings of developing countries.

72. Another approach to the alteration of fluctuations in export earnings is through the establishment of a complementary financing facility, such as was proposed at the sixth session of UNCTAD. That proposal is being more thoroughly studied in UNCTAD and is scheduled to be the subject of further discussion.

#### B. Industrialization

73. The performance of developing countries with respect to industrial development during the first part of the Third United Nations Development Decade has been disappointing. Manufacturing production grew by less than 2 per cent per annum during 1981-1982, against the Strategy's growth target of 9 per cent per annum; while the share of developing countries in world value added in manufacturing was practically stagnant at about 11 per cent.

74. As could be expected from the overall growth performance reviewed above, the poorest performance was in Latin America, where manufacturing output declined by more than 5 per cent in 1981, increased a little in 1982 and probably declined further in 1983. Latin America's performance reflects a sharp break in the rapid industrial growth of Brazil and Mexico, which contributed 40 per cent of the growth in total industrial output in developing countries between 1970 and 1980. Manufacturing output in Asia continued to grow in 1981 and 1982, but at a much slower pace than achieved in the late 1970s. The process of industrialization was severely interrupted in many African countries where per capita incomes declined. Although there are generally prospects for some recovery of industrial growth in 1984, many countries face great difficulties in financing new investment and hence restoring the momentum of industrial growth.

75. What progress developing countries can make towards the industrialization objectives contained in the Strategy over the remainder of the Decade will depend on a number of considerations. The availability of foreign exchange to support the level of investment needed to accelerate industrial growth in developing countries is by no means assured. Efforts by developing countries themselves to improve the supply capacity of exports and to save scarce foreign exchange are necessary; they need, however, to be complemented by a more forthcoming attitude on the part of the developed countries to provide readier access to their markets. Further, especially for the many developing countries whose individual domestic markets are too small to realize economies of scale in a range of industries, there is the task of making greater progress in co-operative economic arrangements. The emerging complementarities in production and trade among developing countries may help to lessen the constraints connected with the supply of imported intermediate inputs and the size of markets.



76. The Strategy recommends policies to encourage the continued reallocation of resources, specifically calling for domestic factors of production to move from internationally less competitive to more viable lines of production or into other sectors of the economy. But in the last few years, protection of a number of industries, including those in which developing country exporters have enjoyed a certain degree of market success, has increased. Examples include leather products, clothing and footwear; in those products, import penetration in the developed market economies exceeded 15 per cent as of 1980. Some product lines of the iron and steel industry, petrochemicals and shipbuilding are among other sectors in which a number of developing countries have also gained in competitiveness, although levels of import penetration remain more limited.

77. The slow-down in world economic growth in the first part of the 1980s, the possibility that the world economy will continue on a slow-growth path and the changing composition of final demand in the developed countries reduce the demand outlook for certain intermediate and raw material sectors of industry. Overall, it has become necessary for countries to reassess the prospective composition of industrial investment aimed at diversifying and deepening their industrial exports. Indeed, there has been a certain refocusing of attention on investment for internal markets and a renewed impetus to economic and technical co-operation among developing countries.

78. The Strategy recognizes the importance of adequate financial resource transfers to support and reinforce developing countries' industrialization programmes; but, as analysed in another section, important categories of external financial flows have declined in the first part of the 1980s. This development, together with the recession-induced drop in foreign exchange earnings, has resulted in a severe foreign exchange constraint which has required the postponement or cancellation of numerous planned industrial investments, especially in the capital goods and consumer durables sectors.

79. The Strategy calls for the arrangements for industrial financing to be reviewed early in the Decade. The establishment of a new international bank to finance industrial development was discussed at the Third General Conference of UNIDO in 1980 and in subsequent follow-up discussions to the Conference in the Industrial Development Board. In the main, however, the expansion of finance for industrial development faces the same broad problems that confronts financial flows in general, and the improvements along the lines discussed in the section of the report on financial resources form part of the solution for industry.

80. Financial assistance for multilateral technical co-operation in the field of industrialization has remained inadequate. The United Nations Industrial Development Fund is a source of voluntary bilateral contributions to the technical co-operation programme of UNIDO. The delivery of technical assistance financed from all sources increased from \$76 million in 1980 to \$92 million in 1982, but declined to \$78 million in 1983 in current prices. The part financed by the Fund increased from \$10.6 million in 1980 to \$11.6 million in 1982 and \$13.1 million in 1983.

81. The Strategy recognizes the necessity of promoting a balanced industrial development based on the establishment of heavy and light industries of different production scales and of agro-industrial complexes. Some Governments of developing countries continue implicitly to favour large firms through the effect of tax concessions, tariff protection and other privileges granted to specified industries. Nevertheless, efforts continue in other developing countries to encourage directly small- and medium-scale manufacturing activities. Not only do these industries create employment, but their growth is an indispensable element of industrialization. Greater attention has also been given to the decentralization and dispersal of industries to non-urban areas in order to provide greater income and employment opportunities to as wide a segment of the population as possible and to satisfy basic socio-economic needs. The industries so favoured are mostly of small or medium size and use intermediate and labour-intensive technologies.

82. Natural resource processing and agro-industrial complexes are also vital. Here again, greater emphasis is being accorded to those sectors, particularly because they are essential export-oriented industries for those developing countries endowed with appropriate natural resources.

83. The consideration of the environmental effects of industrial activities in the developing countries has not been widely promoted due partly to the lack of means for establishing environmental impact assessments and partly to the overriding concern for growth, particularly in a time of economic difficulties. Nevertheless, some progress has been made in some areas. In particular, as chemicals and allied products and primary metals industries are the major sources of hazardous waste, some developing countries where these industries had made progress have introduced legislation to bring about reasonable environmental management. For example, legislation for the protection of rivers, river beds and neighbouring areas has been introduced in several developing countries. Similarly, provisions for the prevention and control of pollution have recently been introduced in some countries in Latin America and Asia. Such provisions focus attention on the type and variety of toxic and hazardous wastes released from industrial sources. In Asia and elsewhere, along with energy-saving measures, efforts were made in iron and steel production to reclaim and utilize ferruginous dust and sludge as raw materials.

84. Since the Second General Conference of the United Nations Industrial Development Organization, held at Lima in 1975, a system of continuing consultations to promote the industrialization of the developing countries has been in operation. In 1980, the system was placed on a permanent basis. Subsequently, rules of procedure were adopted whereby UNIDO would serve as a forum for consultation between developed and developing countries, provided that Governments were included. In 1981, three consultation meetings were convened on the petrochemical industry, capital goods and food processing, followed in 1982 by four consultation meetings on agricultural machinery in Africa, iron and steel, industrial financing and industrial manpower training. In 1983, consultations were convened on wood and wood products, agricultural machinery and pharmaceutical industries. The strengthening of international co-operation in industry through consultations may be indicated by the strong representation of industry and the greater depth at which consideration of the practical issues facing each industry were considered.

85. The Strategy calls attention to the need to give the highest priority to the effective implementation of the Industrial Development Decade for Africa (General Assembly resolution 35/66 B of 5 December 1980). This will require additional effort and the provision of adequate resources. So far, the record shows that the impact of the international economic crisis on most developing African countries in the early 1980s, compounded by other adverse factors such as widespread drought, has jeopardized the ability of most countries to implement their industrialization plans.

86. The new Constitution of UNIDO (A/CONF.90/19) has been ratified by 111 Member States. At the thirty-eighth session of the General Assembly, all Member States supported an early conversion of UNIDO into a specialized agency. As requested by the Assembly, the Secretary-General is undertaking consultations with Member States to determine whether the financial viability of the new organization is adequately ensured before convening a meeting that will decide on the date of the entry into force of the new Constitution.

87. The forthcoming General Conference of UNIDO provides an early opportunity to review the progress and problems discussed above in implementation of the Strategy.

### C. Food and agriculture

88. The International Development Strategy for the Third United Nations Development Decade sets targets for growth in agricultural production, overall cereal stocks to assure food security, and food aid. It calls for the elimination of hunger and malnutrition as soon as possible and certainly by the end of the century. It also recommends measures in the field of trade and the international financing of rising food import bills of low-income, food-deficit countries. The realization of the targets was seen to depend upon the adoption of policies by the developing countries to mobilize their domestic resources with a view to increasing agricultural production, eradicating hunger and malnutrition, and improving food security. At the same time, the Strategy stressed the vital importance of financial, technical and other assistance by the international community at large.

#### 1. The performance of the agricultural sector: production, stocks and food supplies

89. The Strategy's target rate of growth for food and agricultural production during the 1980s is 4 per cent per annum. Such rates were not achieved by any regional grouping or developing countries during the 1970s (see table 4). In 1981, the growth of agricultural and also of food production in the developing countries exceeded 4 per cent, with Latin America and the Far East showing well above-average gains. However, the latter two regions experienced a sharp slowdown in 1982, and the average for the group as a whole dropped to perhaps one third of the rate of population growth. Preliminary output estimates for 1983 are not very encouraging. Crops in several large countries in each of the main developing country regions were adversely affected by prolonged droughts, and some areas of Latin America also suffered from severe flooding.

Table 4. World: Average annual rates of growth of agricultural and food production, 1971-1982

(Percentage)

Region <u>a/</u>	1971-1980 <u>b/</u>	1980	1981	1982
<u>Agricultural production</u>				
World	2.4	0.2	3.5	2.1
Developed market economies	1.9	-0.7	4.7	1.5
Developing countries	3.1	2.5	4.5	0.8
Africa	1.7	3.8	1.7	3.4
Latin America	3.4	0.8	5.5	0.2
Near East	3.0	2.4	2.4	1.8
Far East	3.4	3.1	5.7	-0.2
Centrally planned economies	2.2	-1.1	0.5	3.7
<u>Food production</u>				
World	2.5	0.2	3.1	2.5
Developed market economies	2.0	-0.5	4.2	2.0
Developing countries	3.3	3.1	4.3	1.5
Africa	1.8	4.1	1.8	3.7
Latin America	3.7	2.0	3.9	2.6
Near East	3.4	2.6	3.1	1.9
Far East	3.5	3.6	6.0	-0.2
Centrally planned economies	2.3	1.5	0.2	3.8

Source: Food and Agriculture Organization of the United Nations.

a/ FAO country classification.

b/ Average annual growth rates obtained as the slope of a regression line fitted to the data.

90. Shortfalls in agricultural and food production have been most pronounced in Africa, where the long-term decline in per capita agricultural and food production poses the most immediate threat to food security. <sup>9/</sup> Two decades ago the continent was self-sufficient in food. However, the rate of growth in population accelerated. At the same time, low priority was generally accorded to agriculture in development strategies and the growth in output and productivity failed to accelerate. The need to import an increasing volume of foodstuffs has conflicted with other claims on scarce foreign exchange reserves. Food aid has, at best, been a rather unstable source of supply and, in any case, has not been sufficient to

keep pace with constantly rising needs, even though Africa's share in total food aid rose from less than 5 per cent in the early 1970s to almost 50 per cent in the early 1980s. These developments are all the more disturbing since the continent has enormous potential for food production.

91. The Strategy's recommendation that the level of world cereal stocks should equal 17 to 18 per cent of production has been realized: in 1980/81, 1981/82 and, it is estimated, in 1982/83, they stood at 16, 18 and 21 per cent of consumption, respectively. Almost all of the increase in global inventories since 1981, however, has taken place in the developed countries, in particular the United States. Thus, whereas between 1981 and 1983 global carryover stocks rose by 96.4 million tons, those in the developing countries expanded only by 1 million tons. Further, over three fourths of the overall increase was in coarse grains, which are not suitable for direct human consumption. In 1982, stocks of cereals in the developing countries represented about 12 per cent of annual consumption and there is therefore a prima facie need to build up at least their working stocks.

92. The Strategy's recommendation that the target for food aid in cereals should be increased, from a minimum of 10 million tons to 17 to 18.5 million tons by 1985, is not being acted upon. Shipments of food aid have not reached 10 million tons in recent years and it appears that those for 1983/84 will not reach 9 million tons. With a stagnation in the volume of food aid, the percentage of the cereal imports of the low-income, food-deficit countries covered by food aid has fallen steadily from 30 per cent in 1976/77 to an estimated 17 per cent in 1982/83.

93. The Strategy's recommendation that the International Monetary Fund (IMF) should set up a facility to help countries import food was acted upon when, in May 1981, a decision was taken to integrate compensation for overages in the cost of cereal imports with that for shortfalls in receipts from exports under the Fund's Compensatory Financing Facility.

## 2. Issues still confronting developing countries and the international community

94. The most important outstanding issue in the field of food and agriculture is that of ensuring adequate supplies. This can be achieved only by securing a sustained increase in output. In spite of failures, there have been some encouraging developments in agriculture. Perhaps the most important has been the growing appreciation of the importance of the agricultural sector in achieving balanced economic development and of the necessity to pursue a coherent policy aimed at increases in domestic production and nutritional levels. The lack of appropriate priority attention to agriculture was identified as the central underlying cause of the adverse situation in Africa. 10/ African countries have tried to correct the situation. In early 1983, 30 African countries were engaged in food strategy reviews, of which 11 were ready to begin implementation with the assistance of Governments in the industrial countries and multilateral agencies, including the World Bank and FAO.

95. Food strategies provide a useful framework for the formulation of agricultural and food policies. Food strategies necessarily address themselves in the first instance to the measures that have to be taken at the national level to increase production and consumption in accordance with the output potential and the state of infrastructure of the countries concerned. There are, though, some common threads running through the discussions that lead up to the adoption of national plans, especially in Africa. Government policies need to improve the rural economic and social infrastructure and give greater incentives to farmers. This frequently requires the re-examination of certain policies - for example, the overvaluation of exchange rates, large food subsidies, high taxation of export crops, and inefficient and costly marketing and transportation systems. The difficulty of such adjustment should not be underestimated; sufficient time is essential to avoid dangerous domestic tensions.
96. Another problem is striking an appropriate balance between food crops for export and for domestic consumption. In the recent past, some countries attempted to counteract deteriorating terms of trade by promoting the export of agricultural commodities. The result, however, was often neglect of production for domestic markets, which led to sharp increases in imports.
97. Many developing countries derive a large proportion of government revenues from export taxes and from the proceeds of marketing boards. A shift away from relying on those sources of revenue would not be easy and would require the support and understanding of donor agencies and lending institutions. In general, the move towards land and income redistribution in combination with greater incentives to foster production will require considerable preparation to ease their impact on urban consumers and government revenues. Integrated food strategies might provide the framework to deal with all those issues.
98. Fostering output through productivity gains remains a major priority for the developing countries, especially in Africa. As has been shown by the "green revolution" and the more recent development of grain varieties that are resistant to pests and diseases, expertise and financial assistance from the developed economies can help to lift productivity levels in developing countries. More research will also have to be directed towards dry-land farming systems, with particular emphasis on the climatic conditions of Africa. In this context it is encouraging that, of the 13 international centres and programmes funded by the Consultative Group on International Agricultural Research, four are based in Africa. Also, seven major bilateral donors recently launched the "Co-operative Development for Africa" with the object of improving development assistance co-ordination and of strengthening their links with African institutions in order to assist in building national research and delivery capacity.
99. In this context there is a need to reconsider efforts to increase the coverage and effectiveness of irrigation schemes. Irrigated areas now constitute only 2 per cent of the total arable area in Africa, and this percentage is expected to remain, on present plans, substantially unchanged for the rest of the decade. In Latin America, it is 7 per cent and stable; in Asia and the Pacific, it is about one quarter and increasing; in Western Asia, it is just under one quarter and also increasing.

100. Support for agricultural research by the international community still remains a major task. At times of financial difficulties, activities with a pay-off in the longer term are often the first to be cut back, and indeed the Consultative Group has lately run into financial trouble. Such measures, inspired by short-term financial considerations, would appear to be ill-timed economies.

101. Financial assistance to agriculture can make an important contribution to capital formation in the sector. Major donors have frequently expressed support for providing greater assistance to agriculture. There is no clear evidence, however, that this has occurred yet. Official commitments of external assistance to agriculture on the "narrow definition", that is, activities directly in support of the agricultural sector, declined from \$7.9 billion in 1980 to \$7.3 billion in 1981, as shown in table 5, and do not appear to have increased more recently. 11/ Concessional commitments, especially bilateral, fell off sharply. On the other hand, aid to food production activities in Africa increased.

Table 5. Official commitments of external assistance to agriculture, 1979-1981

(Millions of United States dollars)

	1979	1980	1981 <u>a/</u>
Multilateral	3 634	4 732	4 616
Concessional	2 028	2 638	2 247
Non-concessional	1 606	2 094	2 369
Bilateral <u>b/</u>	3 323	3 188	2 710
Concessional	3 220	3 159	2 420
Non-concessional <u>c/</u>	103	29	290
Total	6 957	7 920	7 326

Source: United Nations World Food Council, Ninth Ministerial Session, "Current World Food Situation, Note by the Executive Director" (WFC/1983/13, 17 May 1983), p. 15.

a/ Preliminary.

b/ DAC bilateral, EEC and OPEC bilateral.

c/ Based on partial information.

102. If there is no change in present trends, aid to agriculture will not be substantially increased in the near future. Some major donors are still trying to reduce their expenditures, including their aid budgets. This has particularly affected the World Bank's International Development Association and also the International Fund for Agricultural Development, which is facing problems in obtaining the resources budgeted for its first three-year replenishment period (1981-1983), owing to the payment by the United States of only a small part of its pledge. Budgeted figures indicate that the share of the World Bank's lending for agricultural and rural projects, which stood at \$3.8 billion in fiscal 1981, dropped to \$3.1 billion in 1982, and increased in 1983 to \$3.7 billion. 12/

103. The need to increase resources to agriculture, both domestic and external, is all the more important in view of the fact that there are many areas of the world where nutritional standards are below minimum acceptable levels 13/ and that efforts in developing countries to stimulate agricultural production have been affected negatively by the fiscal and external constraints arising from the recent global recession. Although at the present time there are ample global food supplies, it cannot be said that adequate arrangements have been made to assure food security beyond 1984.

104. Food aid can be an important supplement to domestic production in food-deficit countries that have difficulties in meeting their food-import bills. The international community can render vital assistance to foster the agricultural development of developing countries by providing food aid, if care is taken not to disrupt domestic production and incentives. Food aid is increasingly being used to support public works programmes, which alleviate unemployment, increase incomes and thereby improve family food security, and create the infrastructure that could support and enhance broader-based rural development.

105. The international community can also foster collective self-reliance and self-help among the developing countries by promoting "triangular transactions", for example, by buying food in a surplus developing country for delivery to a food-deficit country. A case in point was the purchase by donors of cereals in the Upper Volta for delivery to the Niger and Mali.

106. Many low-income developing countries depend on agricultural and food exports for their foreign exchange earnings. Conditions in the markets for those commodities are dominated by the large producers of food, which are by and large developed countries. Therefore, the domestic agricultural policies of those countries, their trade institutions and international economic policies largely determine whether the developing countries obtain access to agricultural markets at relatively stable prices. For many developed countries trade in agricultural products is essentially a residual, with the bulk of agricultural production and consumption heavily regulated at the national and regional levels. Of particular international concern is the use of export and production subsidies and import restrictions that limit access to traditional markets and displace developing country exports from other markets. Growing awareness of this problem is reflected in the fact that the GATT Ministerial Meeting of November 1982 set up a Committee on Trade in Agriculture to examine the issue.



107. In any discussion of agricultural trade, the needs of the least developed countries deserve special attention. A recent study showed that the agricultural commodity exports of that group of countries have tended to expand much more slowly than those of other developing or developed countries. 14/ External constraints and the unfavourable growth of world markets for some key products, such as groundnuts, jute and tea, did sometimes affect their export performance. Other factors have been their inadequate infrastructure, which has slowed down the growth of their processing industries, and rising domestic demand, which has tended to limit exportable surpluses.

108. In the case of grains, production and exports are dominated by the policies and institutions of a few developed market economies. As importers, the developing countries suffer from the volatility of world prices, which is intensified by the fact that the markets for those commodities in the developed countries are highly regulated and, therefore, relatively small residual markets must absorb all the changes that occur in world supply or demand. Those can be quite considerable: for example, the import needs of some major countries, such as the Soviet Union, vary widely from year to year.

109. In recent years, domestic policy considerations have played an increasing role in domestic stock formation in the large developed exporters of cereals, and that has tended to make world prices more volatile. For example, because of low grain prices, the United States decided to curb domestic production in 1983 so as to reduce the level of stocks. In conjunction with unforeseen circumstances (a prolonged drought), those policies led to a sharp reduction in output which will affect export availabilities during 1983/84 and beyond. In that light, then, it would appear advisable that the developing countries should build up their stocks of cereals and other foodstuffs even at the present time of a surplus on world markets. Another reason for building up stocks is that world production has fluctuated more in recent years than in the past. This is because of the extensive use of new technologies which, although increasing yields per hectare, are more sensitive to the weather, and because fewer varieties are being planted, so a single adverse factor can have a large effect on total production. 15/

110. It is widely felt that the answer to the whole question of trade in grains cannot be left chiefly to market forces or to individual exporting nations. Instead, it would be highly desirable to work out a solution among both consuming and producing nations. Unfortunately, there has been little progress in negotiations towards a new International Wheat Agreement. These reached an impasse in 1979 and are not expected to be resumed in the foreseeable future. Part of the solution to the problem is to increase the capacity to store food grains, as well as to reduce the waste in poor storage, in developing countries. Some progress has been made in this respect, partly through the Food Security Assistance Scheme of FAO, but storage capacity and stocks in the developing countries need to be expanded further. Whereas the targets for stocks in most developing countries range from one and a half to three months of their annual consumption, actual stocks are often substantially below the target. 16/ Donor countries could play an important role in helping developing countries build adequate levels of working stocks to assure uninterrupted supplies in consumer markets.

#### D. Financial resources for development

111. Accelerated development depends upon a continuous expansion in the supply of saving, both domestic and external, for investment. The Strategy sets targets for domestic saving and Official Development Assistance (ODA), and it calls for a number of other actions to enlarge the flow of non-concessional finance.

##### 1. The domestic saving effort

112. The Strategy recognizes the importance of efforts by developing countries themselves to mobilize their domestic financial resources for development. During the decades of the 1960s and 1970s, the ratios of domestic saving to gross national product rose continuously in developing countries as a whole. While the saving rate was below 17 per cent in 1960, it reached almost 25 per cent in 1980. Although final data are not yet available for the first part of the 1980s, preliminary estimates indicate that the saving rate has declined steadily since 1980, and by 1983 it might have been close to 20 per cent.

113. Saving rates depend on domestic efforts, but they are also strongly influenced by factors beyond the control of policy-makers. The relatively strong saving performance of developing countries in the two decades prior to 1980 was the consequence not only of efforts to increase the mobilization of domestic resources, but of other factors as well. The rise in energy prices during the 1970s and the resulting increases in aggregate income allowed the energy exporting countries to raise their savings rates very substantially. In the more industrialized developing countries, rapid rates of economic growth in general, and of exports in particular, had a favourable influence on marginal saving ratios, and as a result their average saving rates also rose rapidly. Moreover, rapid growth in those countries made it easier for Governments to increase their revenues and achieve relatively high rates of government saving. By contrast, saving rates in sub-Saharan Africa declined during this period. While increases in government consumption and subsidies not supported by a rise in revenues played a role, the fall in saving rates must also be attributed to unfavourable terms of trade developments.

114. Developments during the 1980s have not been supportive of enhanced efforts to mobilize domestic resources in developing countries. Per capita incomes have fallen sharply throughout the developing world. The terms of trade have worsened for energy importers and, as of late, also for energy exporters. With declines in personal incomes, it would have been difficult to raise personal saving. Government saving has also been adversely affected by the development crisis of the early 1980s. Government revenues have fallen sharply, owing mainly to the recession and to drastic declines in export earnings and imports. As profits and investment opportunities shrank, corporate saving also declined.

115. For the balance of the decade, enhanced efforts to mobilize domestic resources will remain crucial to the achievement of the development goals of the Strategy. In this connection, it continues to be important to step up the saving efforts of the Government through revenue-rising policies and measures to streamline current

expenditures. The pricing policies and efficient management of public enterprises and the setting up or improvement of institutions to channel personal saving towards investment can also make a contribution to higher saving rates and to the more effective utilization of such savings. As regards growth in corporate savings, it will depend on increased profits and the opening up of new investment opportunities, which can only occur if the development process recovers its dynamism.

## 2. External financial resources

116. Total net external resources received by developing countries over the first three years of the Decade, when measured in real terms, may well have been appreciably less than in preceding periods (see table 6). While a firm and final statement cannot be made at the time of writing because full data are not available, flows in 1983 are likely to show an accentuation of the contraction that took place in 1982, primarily as a result of much reduced bank lending. The adverse effect of lower flows of financial resources to developing countries has been very significant. In many of those countries, investment has fallen to pre-1980 levels. Because of uncertainties regarding private flows and prospects of only marginal increases in official flows, the outlook for an increase in total flows is not bright. There is even the danger of further retrenchment by lenders. Thus, to assure an increased flow of financial resources over the rest of the decade is, in the light of the Strategy's objectives, a priority issue.

### (a) Non-concessional resource flows

117. In the first years of the Decade, the advent of the debt-servicing crisis came close to rupturing the international financial system, which has been serving to transfer non-concessional resources to developing countries. Beginning in the second half of 1982, several countries had to declare moratoria on the payments of principal and, in some cases, even of interest. Since then, debt-rescheduling exercises involving private international banks, individual developed country Governments and multilateral financial institutions have been widespread. In some cases, rescheduling was made necessary by the accumulation of arrears in debt-servicing payments and even in repayments of normal trade credits. While the debt-servicing crisis in some countries has been associated with difficulties in meeting scheduled payments on official debt, the main problem has resided in the private component of debt. There was consequently a sharp retrenchment of private lending in the early years of the Decade. Prospects for future capital flows are to be seen against a different and more difficult set of circumstances than those which had prevailed at the time of formulation of the Strategy.

118. The underlying weakness in the external debt position of a number of more heavily indebted countries, which was brought to the fore by the recession, was not that their levels of external indebtedness were too high; it was that the proportion of their short-term and medium-term debt was too large. By historical standards, recent levels of external debt in relation to exports or gross national product have generally not been excessive. Some countries that are today industrialized, and even some developing countries that had access to foreign bond

Table 6. Developing countries: total net resource receipts from all sources 1980-1982 (in current prices)

	<u>In billions of US dollars</u>			<u>As percentage of total</u>		
	1980	1981	1982	1980	1981	1982
Total receipts	93.74	105.90	90.87	100.00	100.00	100.00
Official development assistance	37.33	36.63	34.24	39.80	34.60	37.70
Bilateral	29.54	28.70	26.79	31.50	27.10	29.50
Multilateral agencies	7.79	7.93	7.45	8.30	7.50	8.20
Non-concessional flows	56.41	69.27	56.63	60.20	65.40	62.30
Direct investment	10.54	16.13	(11.00)	11.20	15.20	12.10
Bank lending	22.00	29.00	21.00	23.50	27.40	23.10
Bond lending	1.38	2.00	2.00	1.50	1.90	2.20
Export credits a/	13.58	13.34	(11.45)	14.50	12.60	12.60
Other bilateral lending	4.06	3.12	(4.50)	4.30	2.90	5.00
Multilateral agencies	4.85	5.68	6.68	5.20	5.40	7.40

Source: Organisation for Economic Co-operation and Development, Development Co-operation, 1983 Review. Paris, 1983.

Note: Figures between parentheses are preliminary.

a/ DAC countries only.

markets, carried no less external debt in the early decades of this century. But, in contrast to the situation at that time, the current debt of developing countries to the international banks is very largely of a medium-term or short-term nature. This is unsuited to the financing of many development projects which are expected to generate gains in income or output in some period beyond the maturity of the loans or which, to express the matter alternatively in financial terms, have amortization schedules longer than the loans. Such borrowing and lending, however, was not in jeopardy provided loans could be rolled over, as they were. But, as recession took hold of the world economy, as interest rates rose and as it became evident that previous expectations of the export earnings of borrowing countries would not be realized, banks were progressively less willing to roll over maturing debt and borrowing countries began to encounter major difficulties in servicing their loans. The new financing and loan renegotiation that did take place, moreover, accentuated the debt-service burden because they were available only at shorter maturities and at higher interest rate "spreads". Some developing countries, in continuing to borrow on increasingly shorter terms, mistakenly counted on an early reversal of the recession; and when this did not happen, they

found themselves in an unsustainable position. Ratios of debt service to exports, which had risen sharply since the beginning of the Decade, surpassed 100 per cent in some instances, if amortization of short-term debt is included.

119. It was the onset of the recession which, of course, precipitated the crisis. As a result of falling commodity prices and shrinking trade volumes, the decline in export earnings has been very substantial. But the policies pursued in the leading developed market economies to reverse an accelerating inflation also contributed directly to aggravation of the debt-service burden of developing countries. The upward trend in interest rates in the United States, caused by the particular combination of fiscal and monetary policies utilized in that country to combat inflation, has produced upward pressures on interest rates worldwide. Another element has been the increase in the spreads charged by banks over international rates on loans to developing country borrowers. These higher spreads reflect the perception of higher risk by banks of lending to developing countries. Interest costs have been further raised by the various fees charged for rescheduling the payments of countries in debt-servicing difficulties.

120. For many countries, total interest payments increased to levels that are not sustainable. This was particularly so in Latin America, where interest payments abroad absorbed a significant share of national income. In 1983, about a dozen Latin American countries had interest payments abroad that exceeded 5 per cent of national income. Interest payments exceeded the net inflow of capital in many countries during 1983, with the consequence that those countries experienced a net outflow of real resources.

121. Because of recent experience, a restoration of non-concessional resource transfers even to former levels is unlikely in the absence of measures to reduce, or eliminate, the main weaknesses in the present system. The severe decline in medium-term lending that began in 1982 probably signals the end to the rapid expansion of bank credit. While bank lending may increase from its currently depressed levels, the pace of expansion is likely to be considerably slower than in the past. The experience of 1982-1983 has already changed attitudes among the international banking community towards lending to developing countries. In the future, banks are likely to be considerably more cautious about increasing their already large exposure in the more heavily indebted developing countries. The borrowing countries themselves are already reassessing the costs and benefits of this form of finance.

122. To restore the flow of non-concessional finance, and to ensure that it can be sustained at an adequate level, a fall in interest rates is essential. If interest rates remain at present levels, debt-service payments are likely to continue to exceed new loans in the more heavily indebted countries, and reversal of the outflow of domestic capital will also remain difficult. But the provision of more loans at longer maturities would also help towards the realization of a more sustainable flow at an adequate level. Greater private resource transfers of a longer-term nature, such as bond flotations, and a larger role for multilateral institutions as intermediaries are channels through which the lengthening of debt structures could be achieved.

(b) The role of multilateral financial institutions

123. Ways of strengthening the multilateral financial institutions have been discussed widely. In particular, it has been recommended that their lending capacity be increased by, inter alia, raising their gearing ratios. The International Development Strategy echoes these recommendations and, in addition, advances the idea of establishing a facility at the World Bank to finance the purchase of capital goods by developing countries. The Strategy also calls for a regular review of the policies and resource base of those institutions. Developments in the last few years lend a new sense of urgency to those proposals. In what remains of the Decade, non-concessional finance through the multilateral institutions should be seen as one of the preferred modalities of development finance for those countries that have very limited access to private capital markets and as playing a catalytic role for other countries.

124. It is recognized that bank lending is an inappropriate form of financing for the numerous development projects that have longer gestation periods than the typical maturities of medium-term loans. For those reasons, it has been proposed that a new facility be created in the World Bank to finance the purchase of capital goods by developing countries. <sup>17/</sup> Its capital would be provided by the official export credit institutions of the industrialized countries. It would be more highly leveraged than the World Bank, and it would raise resources in the international capital markets for on-lending to developing countries at maturities longer than those available from the international capital markets, but shorter than those of World Bank loans.

125. Novel ways of utilizing the multilateral institutions to aid in the process of resource transfers need to be examined. For example, co-financing, an innovation introduced a few years ago, has proved to be a potentially important way of augmenting flows to developing countries, and efforts to expand it should be supported. The presence of World Bank financial support is likely to strengthen the confidence of the private sector and yield an increase in total flows. Proposals studied in the World Bank for some form of multilateral investment insurance mechanism could also be of benefit.

(c) Measures relating to the debt issue

126. Measures to deal with the debt situation adequately will be required for a restoration of growth in many parts of the developing world. Developmental imports will not recover to more normal levels if increases in export earnings must be earmarked for servicing past debts. Private flows are unlikely to recover their dynamism until a more lasting solution to the debt problem is in hand. In the longer run, the debt problem can only be solved through a significant increase in export earnings, which will depend on the strength of the recovery and on commercial policy decisions in the main industrial countries. For a number of countries, even if sufficient growth in export earnings could eventually be achieved, debt-servicing requirements will remain large for several years. In particular, interest payments are now an unusually high burden for many developing countries.

127. The International Development Strategy was adopted before the eruption of the debt crisis. It could not be expected, therefore, that the consequences would have dealt with the issue comprehensively. The protracted nature of the decline in export earnings and the rise in interest rates together with the additional increasingly shorter-term borrowing could not be foreseen; and their consequences for debt-servicing were even less foreknown. On the matter of debt, the Strategy, in fact, addressed itself wholly to problems arising from official debt. Certainly, the full compliance of donors with the retroactive adjustment of terms on official debt recommended in the Strategy remains crucial for the lower-income countries. But, with the emergence of acute difficulties in the servicing of commercial debts, the debt issue has acquired a new and critical dimension.

128. New initiatives relating to debt might include modalities to reduce the debt-servicing burden that a large number of countries are now facing and will continue to face for a number of years. Efforts are needed to encourage, or induce, lenders collectively to reduce interest and related charges and to lengthen the maturities on existing debt. The World Bank and IMF play an active role in suggesting new guidelines for banking charges.

(d) Borrowing from international capital markets

129. As regards borrowing from the international capital markets, bond placements have long been recognized to be a more suitable form of development finance than medium-term bank loans. The long-term character of bond placements is more in accord with the kinds of projects that developing countries need to finance. In addition, for traditional bonds, nominal interest rates are fixed until the maturity date. In contrast to the experience of the earlier part of this century, when developing countries raised most of their foreign finance through bond placements, this form of borrowing has remained very limited in the post-war period, providing a negligible share of total external financial resources. At present, most developing countries are not considered sufficiently creditworthy in bond markets to be able to make significant placements. The multilateral institution might play a useful role in facilitating the creation of a market for such bond placements by acting as guarantors, as called for in the International Development Strategy.

(e) Direct investment

130. Direct investment could also make a greater contribution to development finance than it has in recent years. Under certain conditions, foreign direct investment can constitute a more desirable form of development finance than bank flows, since it is of a longer-term nature and is less likely to give rise to the balance-of-payments crises of recent years. During the early 1980s, the unsettled economic conditions prevailing in developed countries have been a deterrent to foreign investment. The promotion of larger investment flows requires the careful balancing of appropriate stimuli with the protection of the national interests of host countries. It also requires a stable policy environment in host countries and well understood standards of expected performance. In this connection, completion and adoption of the Code of Conduct for Transnational Corporations would be a positive and beneficial step.

131. Foreign investment, however, will not expand adequately unless certain pre-conditions are met, some of which refer to the international climate and some to domestic policies. As regards investment for the export market, a pick-up in investment flows is contingent on prospects for the recovery of world trade. Moreover, growing protectionism and the threat of further protectionist measures in the industrial countries is a deterrent to foreign investment in developing countries. On the domestic front, a number of developing countries have already sought to provide more favourable conditions for foreign investment within the framework of their basic political and economic philosophies; <sup>18/</sup> but they must co-ordinate their policies among themselves in order to avoid competitive bidding for investment flows which would result in a perceptible decline in the benefits that can be obtained from this source of development finance.

### 3. Official Development Assistance

132. Disbursements of Official Development Assistance (ODA) from all sources, when measured in current US dollars, declined in both 1981 and 1982. For the developed market economies as a group, the share of ODA in gross national product rose noticeably from 1981 to 1982, but this was largely a consequence of a bunching of payments to multilateral financing agencies. At 0.38 per cent, the share in 1982 was little different from that recorded in 1980 (see table 7).

133. A large part of the growth of total official development assistance during the 1970s was the consequence of the emergence of OPEC member countries as major donors. Those countries now account for around 16 per cent of the total ODA received by the developing countries, and have a combined ODA/GNP ratio of about 1.2 per cent (see table 8). Owing to the worsening balance-of-payments position of the group of countries, their assistance to other developing countries declined significantly in the first years of the Decade.

134. Among the centrally planned economies, net economic assistance of the Soviet Union to developing countries is reported to have risen from 0.9 per cent of gross national product in 1976 to 1.3 per cent in 1980 and to have remained at the same level in 1981. Bulgaria estimated its net economic assistance to developing countries as averaging 0.79 per cent of net national product over the period 1976-1981. For Czechoslovakia, the estimate was 0.74 per cent of national income in 1982. Net economic assistance of the German Democratic Republic to developing countries and national liberation movements was estimated as 0.78 per cent of national income in 1981 and 0.79 per cent in 1982. <sup>19/</sup> Since the definition and measurement of economic assistance and, in some countries, of national product differ from those used in estimates presented in the preceding paragraph, the data for the different groups of countries are not directly comparable.

135. Though ODA flows in the aggregate have stagnated or declined, there has been a great diversity of performance among individual donor countries. Among the OPEC member countries, some have recorded levels of ODA well in excess of 2 per cent of GNP for several years. Among the developed market economies, several countries, including Denmark, the Netherlands, Norway and Sweden, attained the 0.7 per cent target before the inception of the Decade; and Norway and Sweden have since joined



Table 7. ODA performance of DAC member countries, 1980-1982

(As percentage of GNP)

Country	1980	1981	1982
Australia	0.48	0.41	0.57
Austria	0.23	0.48	0.53
Belgium	0.50	0.59	0.60
Canada	0.43	0.43	0.42
Denmark	0.74	0.73	0.77
Finland	0.22	0.28	0.30
France <sup>a/</sup>	0.38	0.45	0.49
Germany, Federal Republic of	0.44	0.47	0.48
Italy	0.17	0.19	0.24
Japan	0.32	0.28	0.29
Netherlands	1.03	1.08	1.08
New Zealand	0.33	0.29	0.28
Norway	0.85	0.82	0.99
Sweden	0.79	0.83	1.02
Switzerland	0.24	0.24	0.25
United Kingdom	0.35	0.44	0.37
United States	0.27	0.20	0.27
Total DAC	0.38	0.35	0.38

Source: Organisation for Economic Co-operation and Development, "Resources for Developing Countries - 1982 and Recent Trends", Press Release A(83)26, 30 May 1983.

<sup>a/</sup> Excluding aid to the Overseas Departments and Territories (DOM/TOM). When those are included, the ratio was 0.74 in 1982.

Table 8. ODA performance of OPEC member countries, 1980-1982  
 (As percentage of GNP)

	<u>1980</u>	<u>1981</u>	<u>1982 a/</u>
Algeria	0.26	0.24	0.29
Iran (Islamic Republic of)	--	--	--
Iraq	2.39	(0.40)	--
Kuwait	3.40	4.55	4.86
Libyan Arab Jamahiriya	1.18	1.11	0.18
Nigeria	0.04	0.20	0.08
Qatar	4.03	3.75	3.80
Saudi Arabia	5.09	3.58	2.82
United Arab Emirates	3.30	2.88	2.06
Venezuela	<u>0.21</u>	<u>0.10</u>	<u>0.32</u>
TOTAL OPEC:	1.84	1.50	1.22

Source: Organisation for Economic Co-operation and Development, Development Co-operation, 1983 Review (Paris, 1983).

a/ Preliminary.

the Netherlands in approximating the longer-term aim of devoting 1 per cent or more of gross national product to official development assistance. Other countries, most notably, Australia, Austria, Finland and France, have significantly increased the proportion of their resources allocated to ODA since the Strategy was adopted. Most of those countries, as well as others, have indicated their intention of reaching the target in the next several years. <sup>20/</sup> But there are a few countries - most notably the United States - whose level of official development assistance, as a proportion of gross national product, has remained stagnant or has declined; and, as these are the largest countries, they outweigh the more positive performance of the others.

136. Although the Strategy calls for further improvements in the concessionality of aid, the grant element of ODA commitments by the developed market economies remained fairly constant at about 90 per cent. There was little improvement as regards the untying of aid or increasing the share of non-project assistance, at least formally.

(a) Policies regarding ODA

137. A steady and equitably distributed expansion in development financing will require, above all, a significant increase in ODA. This is particularly important for the least developed and other low-income countries, which finance a significant proportion of their investment expenditure with concessional external financing. These countries have limited access to international capital markets and are less able to afford market-related interest rates for much of their borrowing needs.

Their need is for large-scale investments in their social and economic infrastructures in order to transform their traditional and subsistence economies; and these investments cannot be financed with private funds.

138. The distribution of official development assistance among developing countries is still significantly influenced by historical and colonial ties, geopolitical considerations and the commercial interests of donors. There is a large difference in the availability of per capita ODA among recipient countries, which ranges from \$3 to \$15 for some of the most populous low-income countries to over \$1,500 for some of the smallest middle-income countries. Some of the highest per capita ODA figures relate to countries and territories with special ties to individual donor countries or groups of countries. Although some countries distribute their assistance more evenly than others, the biases noted above lead to a situation in which low-income developing countries on the average receive, on a per capita basis, less than half of the ODA going to the middle-income countries. <sup>21/</sup> Then, a substantially larger share of concessional resources needs to be channelled through the multilateral institutions. Multilateral concessional flows have some clear advantages over bilateral assistance: they are more stable and (until recently) more predictable, they are largely untied and they are relatively more equitably distributed.

139. The low-income countries depend especially on multilateral assistance. Therefore, the resource constraints recently faced by some multilateral institutions, particularly the International Development Association (IDA), are a cause for concern. The agreement for the sixth replenishment of IDA authorized the funding of \$12 billion for the three-year period 1981-1983, with the United States contributing \$3.24 billion. However, the United States decided to stretch out its contribution over a four-year period and thus its contribution for 1981 (\$500 million) and 1982 (\$700 million) fell far short of the programmed level (\$1.08 billion for each of the years). Given the weight of the country in total contributions, IDA credit commitments declined significantly in 1981 and even more sharply in 1982. The decline would have been steeper had not other donor countries agreed to waive the pro-rata rule under which they were entitled to reduce their contributions in proportion to the reduction in that of the United States.

140. The expected size of the seventh replenishment of IDA represents a serious setback to the flow of resources to the low-income countries. The World Bank had proposed a \$16 billion replenishment for the three-year period beginning in July 1984. The results of the latest round of negotiations among the donors indicate that the actual level of resources for IDA-7 will be only around \$9 billion, a considerably smaller figure than even IDA-6. With such prospects for IDA, the level of total multilateral ODA is almost certain to remain depressed over the years to come.

141. In terms of the objectives of the Strategy, recent experience relating to concessional financing has been disappointing. Although some countries have surpassed the targets of the Strategy and others have made clear their intentions to fulfil their commitment, a few of the largest donor countries have shown an apparent disinterest. New sources of ODA that looked promising in the 1970s also

began to falter in the wake of changed international economic circumstances. Total concessional flows have stagnated; and multilateralism in economic assistance has received a setback.

142. The weakening of support of ODA in a few major donor countries has been provoked by more questioning of its effectiveness. Some aid programmes have supported national policies or plans which, though well intentioned, have not worked as expected; and when domestic policies have been judged ineffective, the usefulness of providing aid has been brought into question. And it has always been possible to quote instances of projects that were poorly conceived or badly implemented since a scarcity of managerial skills has often been an integral part of the problem of development. Certainly, the monitoring of policies, programmes and projects as a basis for continuing reassessment is a necessary task for participating Governments. The value of ODA, however, is to be measured in terms of its contribution to national development over a sustained period, when experience is accumulated and mistakes rectified, and not solely in relation to particular periods, policies or projects. It is pertinent that, in a recent reassessment of the operation of IDA over its first two decades, a World Bank study provided substantial evidence in support of the view that multilateral aid had effectively contributed to development in low-income countries. 22/

143. Economic difficulties have sometimes been cited by Governments of industrial countries as a major constraint to increasing the flow of resources to developing countries. Viewed from a domestic perspective, some Governments have perceived or encountered difficulties in calling for increased assistance to developing countries when they have been facing growing budget deficits, and when efforts to restrain current spending are being extended to various types of social expenditure. Other Governments, however, have succeeded in raising their levels of ODA substantially over the first few years of the Decade, despite domestic economic strains that are no less severe. In fact, there is no necessary relationship between economic growth in donor countries and their levels of ODA; the growth of ODA from the developed market economies was actually much slower during the 1960s, when those economies were growing rapidly, than in the 1970s, when they grew at substantially slower rates. It is also pertinent to note that economic difficulties have not prevented a large increase in military expenditures. In short, the level of ODA is a question of political priorities and not a consequence of economic circumstances.

144. A shift in priorities from military expenditure to official development assistance, both of which can be regarded in some geographical areas as alternative instruments of foreign policy, could contribute significantly to the development of developing countries, and particularly the least developed and other low-income countries. In one simulation exercise, it was assumed that all Governments froze their defence spending at their 1982 level, and that expenditure over and above the 1982 level would be utilized as follows: developing countries to apply all the resources released to their development and developed countries to channel half of the financial resources freed into official development assistance. The consequential effect on the oil-importing developing countries is that their annual rate of economic growth could accelerate by as much as 0.6 percentage points. 23/

E. International monetary issues

145. Events since the mid-1970s have attested to the critical importance for developing countries of a smooth functioning of the international monetary system. Instability in the international economy tends to fall with greater incidence on the more vulnerable, generally the developing countries. The International Development Strategy calls for stable international monetary conditions supportive of a balanced and equitable development of the world economy and the accelerated development of developing countries. It calls, in particular, for an effective, symmetrical and equitable adjustment process that takes into account both the cyclical and structural payment difficulties faced by developing countries.

1. The international monetary system in the early 1980s

146. The change in the character of the international monetary and financial system that followed the modification of the Bretton Woods régime of fixed parities was accentuated in the early 1980s. The increasing financial interdependence, based to a large extent on the rapid growth of private financial flows, has reduced the room for manoeuvre in the management of domestic monetary policies. Concurrently, the increasing privatization of the international financial system has become influential in determining levels of international liquidity and the movement of exchange rates.

147. Under current conditions, the large international pool of highly mobile private capital serves as a swift conductor of policy actions in leading countries. A clear example in recent years has been the effect on the world economy of the policy mix utilized in the United States to combat inflation. High interest rates in the United States have forced other developed market economies to maintain more restrictive policies than they would have otherwise desired, and they have placed a heavy burden on developing countries, which rely on the private financial markets.

148. The creation and distribution of international liquidity depends on complex forces and is not under the effective control of the international community. Unco-ordinated policies in individual reserve currency countries inter-act with decisions made by the international banking system. The result can be sudden and unexpected shifts in the levels of international liquidity in individual countries. In fact, total international reserves decreased in 1982. A more telling instance of the inadequacies of the current system has been the severe contraction in international reserves of developing countries over the past two years. When the provision of balance-of-payments financing was most needed, private flows contracted sharply, and most countries had no alternative but to draw down drastically their international reserves and to cut back their imports.

149. Further evidence of the instability of the current international monetary system is the wide swings in exchange rates since the advent of floating rates. Since 1980, exchange rate instability has increased, as flows of speculative capital across national boundaries have overwhelmed more fundamental factors (for

example, differentials in price and cost movements) in the determination of exchange rates. Since domestic prices characteristically adjust slowly, changes in nominal exchange rates have led to corresponding changes in real rates. Thus, in the past few years there have been significant and persistent departures from real exchange rates expected from underlying competitive conditions. Such departures have accentuated protectionist pressures, as the weaker sectors in a country with appreciating currencies (since 1980, mainly the United States) attempted to protect themselves from growing imports. Moreover, uncertainties as to the future course of real exchange rates may have had an adverse impact on trade and investment decisions. The unabated strengthening of the dollar, in spite of widening current account deficits in the United States, is increasing the danger of further volatility in exchange rates.

150. The asymmetry in the adjustment process as between surplus and deficit countries that has been in evidence for some time affected the developing countries with particular vigour during the recent recession. As private sources of balance-of-payments financing dried up and official financing did not expand commensurately, developing countries bore a disproportionate share of the burden of adjustment and were forced to reduce rapidly their current account deficits, at the cost of falling per capita incomes. Under the circumstances, the workings of the system imposed a further deflationary impact on the world economy.

151. The speed with which the disinflationary policies of the main industrial countries affected developing countries is evidence that the international monetary system does little to protect the development process from the adverse consequences of those policies. The external accounts of developing countries came under severe pressure and forced them to adopt stringent adjustment measures. The sharp fall in export earnings and the abrupt rise in international interest rates was accompanied by a pro-cyclical contraction in balance-of-payments financing. Instead, since the deterioration in their current account was essentially of a temporary nature, a strong increase in such financing from official sources would have been indicated. In addition, the strength of the dollar has imposed a large windfall loss on developing countries, since their external debt is largely denominated in dollars.

152. Such deficiencies suggest the need for re-examination at the global level of the workings of the international monetary system with a view to improving its operation. Ways need to be explored to bring under more effective international control the process by which international liquidity is created and distributed. In this regard, an enhanced role for Special Drawing Rights (SDR), and a correspondingly smaller one for reserve currencies, deserves particular consideration. The achievement of more stable exchange rates and a more symmetrical adjustment process could contribute to faster growth in the world economy. Both objectives require, in particular, an enhanced system of consultations. The provision of adequate balance-of-payments financing to developing countries in order to improve the adjustment process would imply significant adaptations in the size and criteria governing the lending procedures of IMF.

153. The concern by a large number of developed and developing countries over the functioning of the international monetary system has led numerous Governments to put forward for consideration the convening of an international conference on money and finance. Such a suggestion has been made in several fora in the last two years, and recently at the thirty-eighth session of the General Assembly. At the technical level, different groups of countries and experts have made important contributions to the analysis of the main issues, the identification of areas in which adaptations or reforms are needed and the definition of the scope for such a conference. 24/

154. Notwithstanding, there is a need for further progress in the work already undertaken. 25/ First, it is important to strive for a global, comprehensive perspective in the analysis of the issues and the possible solutions to the existing inadequacies in the system. Second, in the definition of priorities, careful consideration should be given to the likely contribution of such a conference towards accelerating development. Third, since the global negotiations were expected to provide a more detailed framework in the area of international monetary issues for the achievement of the objectives of the Strategy, future preparatory work should consider the role of the conference in the context of efforts to launch global negotiations.

(a) The role of the International Monetary Fund

155. Since 1980, IMF has had a more active participation in providing balance-of-payments financing to developing countries. As can be seen in table 9, the amounts of financing from the Fund have grown substantially. In addition, the Fund has brought pressure on the private-banking community to maintain its flows to developing countries. Despite the increased role of the Fund, however, many developing countries have had to engage in severe retrenchment. The drastic fall in private-bank loans far exceeded the feasible increases in Fund lending. In addition, most of the drawings from the Fund have been relatively short-term stand-by arrangements, rather than longer-term extended arrangements, under circumstances that should have called for more longer-term financing. Developing countries have already experienced three years of severe external liquidity stringency, and current difficulties are unlikely to be completely overcome in the short-term future.

156. The increased role of the Fund in payments financing has been made possible by the policy of Enlarged Access to Resources adopted in 1981, whereby countries were allowed to draw up to 150 per cent of quotas in any given year, up to a cumulative maximum of 600 per cent, excluding drawings from the Compensatory Financing Facility (CFF), the Buffer Stock Financing Facility or the Trust Fund.

157. The combined effect of the increase in quotas approved in February 1983 and of recent changes in the Enlarged Access to Resources policy may render the Fund less able to continue to expand its lending at rates similar to those achieved in the early 1980s. The Eighth General Review of Quotas will expand lendable resources by nearly half. The enlargement of the General Arrangements to Borrow and associated borrowing arrangements agreed upon in February 1983 will also make significantly increased resources available to the Fund in case of emergency. Recently, however,

Table 9. Effective net flow of IMF credit a/ to the developing countries, 1978-1983

(Billions of United States dollars)

	1979	1980	1981	1982	First 8 months of 1983
Low conditionality flows	0.3	1.0	-0.6	1.1	1.7
Buffer stock financing facility	-	-0.1	-	0.1	0.2
Compensatory financing facility	0.2	0.2	0.4	1.5	1.7
Oil facility	-0.6	-0.7	-0.8	-0.4	-0.1
Trust fund	0.7	1.5	-0.2	-0.2	-0.2
Higher conditionality flows	1.0	2.1	5.3	3.7	5.1
Credit tranche drawings	0.7	1.4	3.0	1.6	2.5
Extended facility drawings	0.3	0.7	2.2	2.1	2.7
Total flows	1.3	3.1	4.6	4.8	6.8
Memorandum items: Use of Fund credit divided by quota (end of period, per cent)	45.6	37.4	59.6	85.4	125.5
Energy exporters <u>b/</u>	23.8	11.8	13.3	23.0	50.1
Energy importers	69.2	59.8	103.7	146.8	209.7

Source: Department of International Economic and Social Affairs of the United Nations Secretariat, based on IMF, International Financial Statistics.

a/ Measured as the difference between indebtedness to IMF at the beginning and end of the year, thus including valuation change as well as actual flows.

b/ Excluding surplus countries.



the Executive Board of the Fund decided that, when the quota increases go into effect, access to Fund borrowing as a proportion of quotas would be reduced. The combination of quota increases and lower access limits will not allow for more than modest increases in total access to resources.

158. The Eighth General Review of Quotas will only very partially arrest the long-term decline in the ratio of quotas to imports. For developing countries this ratio was about 15 per cent up to 1970, when it began to decline, reaching a low of 5 per cent in 1982. The new quotas will raise the ratio to about 7 per cent.

159. Quotas perform several functions. One of them is to provide convertible currency resources which the Fund can use in its lending activities. Another function is to determine borrowing limits. The Enlarged Access policy can thus be seen as a response to the increasing loss of meaning of quotas as borrowing limits. In addition, the insufficient enlargement in the size of the Fund relative to world trade or payments financing needs has caused it to rely increasingly on borrowed resources. These developments, which are the direct result of the decline in the size of quotas relative to trade magnitudes or financing needs, have had adverse consequences on borrowing countries. Resort to the Enlarged Access to Resources policy in lieu of adequate quota increases has pushed borrowers more rapidly into the upper credit tranches, where drawings are subject to considerably more stringent conditions. In addition, Fund reliance on borrowed resources rather than on the expansion of regular resources through quota increases has substantially raised the costs of borrowing from the Fund.

160. The expansion of Fund financing in the early 1980s has been insufficient to represent an effective counter-cyclical force in the world economy. In principle, the counter-cyclical role of the Fund could be enhanced by more effective use of the Compensatory Financing Facility (CFF). A present shortcoming of CFF are the quota limits on drawings: for members making use of this facility because of export shortfalls, there is at present a limit on drawings of up to 83 per cent of quota. Shortfalls in export earnings, even as currently estimated, often far exceed quotas. 26/

161. Another shortcoming is related to the fact that only shortfalls in export earnings are eligible for compensation from the facility, when a country's temporary balance-of-payments difficulties could stem from other sources (for example, an increase in import prices). That is, the principle of compensating countries for reversible shortfalls in export earnings could be extended to other items in the current account. For example, CFF could be used to help countries finance the higher interest payments caused by unexpected increases in international interest rates. A precedent for a liberalization of the facility in this direction has already been set by allowing countries to finance overages in cereal imports.

162. As noted above, one of the difficulties with IMF balance-of-payments financing is the relatively short maturities of Fund drawings. In instituting the Extended Fund Facility, IMF has recognized that successful balance-of-payments adjustment can be a lengthy process that requires adaptations on both the demand and supply sides of an economy. Under current world economic conditions, the adjustment

process is likely to be particularly protracted. During the period in which policy changes are being implemented, adequate financing is required for the adjustment process to be effectively executed. In this connection, the usefulness of Fund resources to developing countries could be enhanced by greater use of the Extended Fund Facility. While in operation, the Trust Fund provided concessional long-term balance-of-payments financing for the low-income countries. The Trust Fund has now disbursed the resources with which it was originally endowed. Financing for a re-opening of the Trust Fund might be arranged in the context of new allocations of SDRs or from the profits derived from further sales from the gold stock of IMF. 27/

163. In the past, IMF has made provision for relatively low-cost use of the resources it lends to lower income developing countries. The Fund has thus recognized the excessive burden which market-related interest charges on IMF credits would add to the adjustment programmes undertaken by these countries. The Fund charges its borrowers market-related interest. To lower the cost of such resources, an interest subsidy account was established first for use with the Oil Facility in 1975, and second for use with the Supplementary Financing Facility at the end of 1980. No comparable subsidy account has been established, however, for borrowings under the Enlarged Access to Resources policy, the major vehicle for lending borrowed resources since 1981.

164. The Fund appears unable to play a more important role in providing adequate balance-of-payments financing unless its size is substantially increased. The recent spate of borrowings by developing countries has already strained seriously the Fund's resources. An increase in the size of the Fund would necessarily involve a further large increase in quotas. At issue is the role IMF is expected to play in the process of financing the deficits of countries in balance-of-payments difficulties. Some view the Fund as continuing to have a relatively minor role in the actual provision of financing. In this conception, the conclusion of an adjustment programme between the Fund and a country experiencing balance-of-payments difficulties would serve as the required signal to private lenders, which would provide the bulk of the financing. An alternative approach is to endow IMF with sufficient resources so that it can play a more decisive role in easing temporary and reversible balance-of-payments pressures. Given the shortcomings of the current market-based international monetary and financial system alluded to above, any improvement in current arrangements would probably entail a substantially enhanced role for the Fund and significant adaptations in its operating procedures.

165. Certain improvements in the effectiveness of IMF do not have to await major reform. Developing countries are emerging from the recent recession in a very weak external payments position. Decisive action in a number of points could help ease the external constraint so that developing countries can enhance significantly their growth prospects in the remainder of the Decade. In the first place, a substantial allocation of SDRs during the fourth basic period would help to reverse the deterioration in the liquidity position of developing countries and would halt the erosion of the role of SDRs in the international monetary system. Second, the Ninth General Review of Quotas, scheduled for 1986, could be advanced. Third, the Fund could interpret more flexibly its conditionality requirements for borrowing in the upper credit tranches so as to take into account the current state of the world economy and its impact on borrowing countries. Fourth, the amounts to be drawn from CFF in relation to quota could be adjusted upwards.

F. Technical co-operation (operational activities)

166. The process of review and appraisal should ensure that operational activities of the United Nations system contribute effectively to the implementation of the International Development Strategy. 28/ The present section is based upon the triennial policy review carried out by the Economic and Social Council and the General Assembly in 1983. 29/ Governments allocate available resources among competing priorities within a given time frame in the light of their own perception of their development problems and perspectives in order to attain their development objectives. Organizations of the system through their operational activities provide at the request of the Government supplementary resources at certain key points in a country's development programme.

167. Total field programme expenditures on operational activities amounted to \$2.2 billion in 1982. The share of such activities in total net ODA receipts of developing countries has remained more or less constant over the past decade at around 6 per cent, the proportion rising in the least developed countries to about 10 per cent. Over the same period, the share of multilateral ODA in total net ODA receipts of developing countries grew steadily, from around 15 per cent in the early 1970s to about 23 per cent in 1981, reflecting the growing importance attached to the role of the multilateral institutions. Operational activities currently constitute about one quarter of the total multilateral ODA receipts of developing countries.

168. The International Development Strategy indicates that the realization of its goals and objectives will require a renewed emphasis on technical co-operation and a significant increase in the resources provided for this purpose. The rationale for this renewed emphasis on the role of technical co-operation stems from the growing conviction that the shortage of skills at various levels and the lack of institutional capacity are often key constraints to development and to the efficient use of capital in developing countries.

169. Accelerated growth in output and reduction in poverty depends partly on achieving greater efficiency in the use of available human and natural resources. The attainment of the targets of the Strategy will require great attention to skill formation and institution-building, both major concerns of the Strategy, and accordingly the channelling of a greater proportion of resource flows for such purposes.

170. Technical co-operation contributes to strengthening the self-reliant capacity of developing countries, notably by supporting efforts to improve their knowledge of available resources, to enhance their capacity for natural resources exploration, and to acquire and use technology. It supports the development of skill formation and the establishment and strengthening of technical, administrative and research capabilities essential for long-term and sustained development. It helps countries absorb and utilize capital investment, whether financed from domestic or external sources. It also contributes to economic and technical co-operation among developing countries through regional and interregional projects in a variety of sectors.

171. There is growing recognition that there should be a greater complementarity between capital assistance and technical co-operation. Multilateral development banks are fully cognizant of the essential support that technical co-operation can provide to the effective realization of capital investment. Steps are under way to promote a closer relationship between the organizations of the system and the multilateral development banks with regard to the technical co-operation financed by such banks.

172. Resource allocations of UNDP fully reflect the emphasis of the Strategy on the special requirements of least developed countries and other low-income countries: 80 per cent of available resources are distributed to countries with a per capita GNP of less than \$500. The Strategy also recognizes that each country is ultimately responsible for its own development and for determining its own development goals and priorities. This principle is reflected in the country-centred approach of UNDP, introduced in the Consensus (General Assembly resolution 2688 (XXV), annex) and further refined in the resolution on "new dimensions in technical co-operation". Country programmes are drawn up by the Government, with the appropriate support of the UNDP Resident Representative and the organizations of the United Nations system. In consultations with Governments on the orientation of country programmes, Resident Representatives regularly review with Governments globally-expressed priorities put forward in international fora, including the objectives and targets set out in the IDS.

173. The principal multilateral source of technical co-operation in the population sector is UNFPA; approximately 25 per cent of all international population assistance is channelled through the Fund. By extending assistance for institutional development and training and by supporting research the Fund promotes the achievement of national self-reliance in the population/development field. Fifty-three countries, which includes most of the least developed countries, have qualified as priority countries based on having annual per capita income below \$500 and meeting certain demographic-related criteria.

174. In its operational activities, the Fund has been implementing the recommendations of the World Population Plan of Action (WPPA), paying particular attention to broadening the access to family planning information and services and to fostering safe, effective and acceptable means of regulating fertility and to the needs of women. In 1983, in co-operation with WHO and others, it reviewed the status of family planning research in the United Nations system. It has also encouraged Governments to promote the incorporation of the population variable into development planning as essential for a "unified approach to social and economic development".

175. The broad distribution of technical co-operation expenditures appears to have remained more or less unchanged over the last few years (see table 10), one change of note being an increased share for natural resources, including energy. Nearly two fifths of system-wide expenditures on technical co-operation take place in two sectors - health and agriculture, forestry and fisheries. Another one third takes place in four sectors, namely, natural resources, transport and communications, general development, planning and statistics and population. Of note, however, is the relatively small share of expenditures on such activities as trade and financial and economic co-operation designed to adapt international economic relations to the needs of development.

Table 10. Sectoral distribution of United Nations system of technical co-operation expenditures a/

Share (Percentage)

	<u>1973</u>	<u>1976</u>	<u>1979</u>	<u>1982</u>
Agriculture, forestry, fisheries	20.2	19.4	18.9	18.1
Health	19.1	17.6	18.9	19.5
Industry	9.0	9.2	7.6	7.4
Transport and communications	9.0	7.8	8.6	9.0
Population	8.3	10.7	12.6	7.7
General development <u>b/</u>	7.6	8.9	7.0	8.4
Education	6.0	5.1	5.4	4.1
Science and technology	4.4	3.2	3.2	4.2
Natural resources, including energy	3.4	3.5	8.3	9.8
Employment	3.4	3.3	4.9	5.0
Other <u>c/</u>	<u>9.6</u>	<u>11.3</u>	<u>4.6</u>	<u>7.8</u>
TOTAL	100.0	100.0	100.0	100.0
Total sector expenditures (\$ millions)	405.2	790.0	990.6	1 437.1

Source: A/38/258 and Add 1.

a/ Encompassing operational activities financed by UNDP, by funds administered by UNDP, by UNFPA and by other organizations from regular and other extrabudgetary sources. UNICEF and WFP are excluded.

b/ Including planning, public administration and finance and statistics.

c/ International trade, human settlements, culture, social conditions and humanitarian relief.

176. One of the distinguishing features of the Strategy is the explicit inclusion, among its goals and objectives, of specific targets for the reduction of infant mortality. The latter is projected to be brought down to less than 50 per thousand live births in all countries and less than 120 for the poorest countries by the year 2000. Progress towards the achievement of these objectives is, however, modest and unevenly distributed, and many countries may have recently experienced some increases in infant mortality rates. Restoring momentum towards improved child survival and development - the achievement of the objectives of the Strategy - requires an accelerated and selective action. In recent years a mobilization effort has begun in an attempt to bring the reduction of the infant mortality rate closer to the goals implied by the IDS target.

177. Organizations of the United Nations system have been responding to the new challenges in infant mortality reduction. For example, UNICEF has restructured its programme priorities and organization to focus on the measures cited above, re-allocated funds and staff to countries which have high infant mortality rates - particularly in Africa - and made these new opportunities the focus of the last two reports on the State of the World's Children. The key to the success of this set of measures is the existence of an appropriate and low-cost delivery system, promoting knowledge and understanding through the media, and using at least an incipient primary health care structure, including active community involvement, in particular. Such an accelerated effort requires new approaches to the delivery effort. Other requirements for a successful attempt at reaching the goals of the Strategy include mass mobilization involving all possible measures of communication, parental education and improvements in organization and management.

178. The World Food Programme's responsiveness to the needs of the developing countries under the Strategy is increasing in two ways. First, the Programme is growing in size: biennium resource targets have been increasing, and those targets are being largely attained. In 1982, WFP committed some \$800 million for development projects and emergency operations, while in 1983, commitments rose about 10 per cent to nearly \$900 million. The expectation is for continued growth over the course of the next several years. Second, WFP is striving to make its assistance more developmentally effective in a variety of ways. It is seeking out more opportunities to help support overall development programmes in co-operating countries. It is also reviewing its substantive policies and procedural processes to enable it to focus more sharply on the developmental impact of individual projects.

179. The World Food Programme continues to give top priority to the poorest people in the neediest countries. More than 80 per cent of commitments in 1982 for development projects were for low-income food-deficit countries and other most seriously affected countries, with about half that amount for countries in sub-Saharan Africa. The food aid of WFP has shown itself to be a very versatile development resource, particularly when it is used in combination with technical and other assistance not only to support increased food production, but for a wide range of activities supportive of national development.

## 1. Mobilization of resources

180. Contributions to the funds and programmes of the United Nations and the operational activities of the specialized agencies and organizations financed from regular and extra-budgetary contributions and WFP increased from \$2.0 billion in 1979 to \$2.5 billion in 1982. This represents an annual growth of about 7.5 per cent in nominal dollars, but it could mean stagnation in real terms if adjustments were made for changes in price levels and exchange rates.

181. The current difficulties in generating resources for development have also affected the system's operational activities. Contributions to a number of funds and programmes of the United Nations have fallen short of the various types of targets set by the relevant intergovernmental bodies, thus hampering the ability of the system to respond to the growing needs of developing countries. For example, resources made available to UNDP, which plays a central role in the provision of multilateral technical co-operation, grew by 2.8 per cent in 1980, fell by 6 per cent in 1981 and remained more or less stagnant in 1982 and 1983.

182. Present indications suggest, taking into account the results of the 1983 United Nations Pledging Conference for Development Activities, a resumption of growth in resources for UNDP in 1984 of about 6 per cent. Rates of growth of a similar magnitude are anticipated for other organizations dependent on voluntary contributions to finance operational activities.

183. In the light of the overall resource situation, the General Assembly at its thirty-eighth session noted that, although the outcome of the 1983 Pledging Conference reflected a positive trend, the overall level of resources remained unsatisfactory. It accordingly strongly reiterated the need for a substantial and real increase in the flow of resources for operational activities so as to enable the organizations of the system to maintain and possibly increase the level of their operational programmes.

184. The General Assembly has frequently called for measures to place the organizations engaged in operational activities on a more secure financial basis. Long-term commitments by donors enable organizations to guarantee resource availability to recipient countries, thereby facilitating the integration of external resources into planning and budgetary cycles and sound financial management. Agreement on the levels of future funding helps in the planning of that section of the donors aid budget earmarked for multilateral assistance. Progress in the attainment of the objectives set out by the General Assembly remains, however, limited.

185. In this context, consideration might be given to more formal arrangements for greater assuredness, such as those being introduced by the Governing Council of UNDP (see Governing Council decision 83/5). Safeguards are also needed against unexpected fluctuations in year-to-year contributions arising from unforeseen exchange rate movements that severely affect the resource inflow of organizations. Over the longer term, consideration should be given to the financing of operational activities on a more automatic basis freed from the uncertainties of national budgetary decisions.

186. A trend has developed recently towards the tying of contributions for operational activities to the procurement of goods and services in the donor country, a trend exacerbated by prevailing economic conditions and by constraints on the growth in general-purpose multilateral ODA. There is no single source of objective information on the extent of present tying. However, tying of contributions to the procurement of equipment may inhibit the exercise by the recipient country of a free choice of the technology most appropriate to its needs. Such tying may well increase the total cost of the project; it may also inhibit the development of local expertise and institutions, which is, after all, the purpose of technical co-operation.

187. At its recent session, the General Assembly called upon all Governments, in the interest of preserving the multilateral principles of the system, to refrain from the practice of the tying of aid for operational activities of the United Nations system to procurement of goods and services from the donor countries, restricting it to those funds that have a mandate to accept it on an experimental basis. The UNDP Governing Council will be reviewing, at its next session, experience gained so far on this matter.

188. The system's operational activities reflect both universality of participation and a focus on least developed and other low-income countries. Overall, countries with a per capita GNP of less than \$500 accounted for 67 per cent of operational activities: the proportion ranges from a high of 85 per cent in the case of UNICEF to 50 per cent in the case of expenditures financed from agency regular and extrabudgetary programmes. Those proportions decrease as per capita income increases.

## 2. Quality and cost-effectiveness of operational activities

189. It is the responsibility of developing countries to delineate clearly in their national plans, priorities and requirements for external assistance; to promote co-ordination within their national administrations in order to secure consistency in the operational activities of the organizations of the system at the field level; and to evaluate the relevance of these activities to their development. Neither the strengths nor the weaknesses of operational activities can be ascribed exclusively to the Governments of the recipient countries on the one hand, or to the organizations of the system on the other. It follows that both Governments and organizations are responsible for making any necessary improvements to the way in which operational activities are planned and carried out.

190. The General Assembly, which has expressed concern at the increasingly high-cost of experts and consultants, has called for the use of services of national experts and consultants as far as possible and for the implementation of programmes and projects in a cost-effective manner. Organizations of the system are seeking to make greater use of the capacities of developing countries by engaging national experts and personnel and by utilizing local or regional sources for the procurement of material, equipment and services. Government execution of projects and greater reliance on short-term international staff are examples of



modalities being applied increasingly by organizations in order to reflect the changing requirements of developing countries to technical co-operation and to promote self-reliance.

191. Increased complementarity of operational programmes at the country level is seen as an essential step towards enhancing the quality of the system's contribution to development. Since 1980, the system of Resident Co-ordinators has been put in place, round tables and other arrangements for collaboration between developing countries and aid partners are being developed and field offices increasingly provide a development service to Governments and bilateral and other multilateral organizations.

192. The General Assembly, in resolution 38/171 of 19 December 1983, recommended improved coherence of action and co-ordination of operational systems at the country level, under the overall responsibility of the resident co-ordinator and in consultation with the Governments concerned. The objectives are to promote the complementarity of programmes, to cut down expenses on administrative and support costs, to minimize waste through avoidance of duplication of work and to facilitate the task of the host country in co-ordinating external assistance.

193. Evaluation of operational activities is now better understood and more widely conducted in the system. Since Governments of host countries are responsible for the management of their development projects assisted by the system, the evaluation of such projects should be carried out under the leadership of the Government concerned, in partnership with the relevant organizations. Although the amount of programmes and projects subject to evaluation has increased, regard must be had not only to absolute levels, but also to the quality and use of evaluatory activities. Furthermore, while the concept of evaluation of operational activities as an integral part of overall planning, programming and budgetary processes has been accepted in principle, it has yet to be fully applied in practice.

194. Action is under way by organizations individually and collectively to review and to strengthen evaluation systems. The General Assembly, in resolution 38/171, recognized that evaluation is an important part of the programming process in order to achieve a rationale and optimal utilization of the overall resources available. It also emphasized the important role of the system in assisting countries, upon request, in developing their evaluation capacity.

195. The achievement of optimal efficiency and the reduction of administrative costs, with a consequential increase in the proportion of resources channelled directly to recipient countries, has been a concern of Member States for many years. It is particularly acute at the present time, given the growing scarcity of resources and the urgent necessity to ensure quality programmes that achieve desired results at minimal cost. Because of the asymmetrical nature of the relationship between administrative costs and programme outlays, resource constraints are likely to spur rather than inhibit the search for administrative economies and programme improvements. Economies in cost have two dimensions: more efficient ways of delivering the same value of assistance through economizing on the cost of project input; and efficiency in the use of administrative and support

services. Organizations of the system are currently exploring ways and means of achieving economy while maintaining quality, in seeking optimal efficiency in administrative services and in improving the transparency of information on such matters.

196. At its last session, the General Assembly urged the Secretary-General and the executive heads of organs, organizations and bodies of the United Nations system, bearing in mind the need to maintain an appropriate level of support functions, to seek to minimize administrative and other support costs without affecting the field programmes and the network of UNDP offices in developing countries, with a view to increasing the proportion of resources available to improve programme delivery to developing countries.

#### G. Science and technology for development

197. The Strategy calls for measures to strengthen the scientific and technological capacity of developing countries and to enable them to have easier access to existing technology - including advanced technology. Developed countries are requested to take adequate specific measures to facilitate the freest and fullest possible access of developing countries to technologies and to increase substantially and progressively the proportion of their research and development expenditures and efforts to be devoted to the solution of jointly identified specific problems of prime importance to developing countries.

198. The Vienna Programme of Action on Science and Technology for Development, adopted in 1979 <sup>30/</sup> was reaffirmed in the Strategy. In 1981, the Intergovernmental Committee on Science and Technology for Development approved an operational plan for the implementation of this Programme of Action as a framework for policies at the national, subregional, regional and international levels. In 1983, the Committee adopted further guidelines for the formulation of projects and programmes that would strengthen the scientific and technological capacity of developing countries.

199. On the occasion of the first biennial review in 1983 of progress in the implementation of the operational plan, roughly one half of developing countries replying to a United Nations questionnaire reported significant progress in the area of formulating science and technology policies or plans since the beginning of the decade. Almost half of the Asian and one quarter of the Latin American countries also reported an increase in information facilities. About one quarter of responding developing countries have established targets for expenditure on research and development as a separate item in their budgetary allocations. Half the targets are for 0.5 per cent or less of gross national product and half for between 0.5 per cent and 1.0 per cent.

200. With regard to research activities in general, the creation of incentives for promoting research and development in and for the developing countries and the establishment of relevant educational training institutions, the majority of countries reported no substantial gains. Few countries made progress in setting up

mechanisms to link research and development to production. About half indicated significant progress with respect to the supply of scientists, engineers and technicians, but only moderate progress in increasing the number of women within these categories. Little has been accomplished to stem the migration to developed countries of trained personnel in science and technology. Several developing countries in all regions have reported substantially increased co-operation in science and technology with other developing countries.

201. In a further effort to assist developing countries in building up their capacity to apply science and technology, the Intergovernmental Committee has also recommended to Member States the adoption of certain specific measures. These include development of specific programmes and activities in areas such as the upgrading of traditional technology and its integration into advanced technology; the participation of women in science and technology and the development of suitable technologies; the development and management of human resources; and the development of research and development programmes and their linkage to the productive sector. The organizations of the United Nations system have also responded to a request to undertake selected joint activities designed to assist Member States in enhancing their capacity in science and technology.

202. The Strategy stresses that technological developments in developing countries would be aided significantly by the adoption of a legal framework which would create a favourable environment for the transfer, application and development of technologies. Efforts to define internationally acceptable standards for technology transactions have for many years been concentrated on attempts to set ground rules governing technology trade practices with a view to facilitating, promoting and accelerating the transfer of technology to developing countries on fair terms and conditions and at reasonable prices. While the efforts have been inconclusive so far, progress has been made in three areas: formulation of an international code of conduct on the transfer of technology; revision of the existing industrial property system; and adoption of a programme of measures to prevent or mitigate the adverse effects on developing countries of the reverse transfer of technology.

203. After eight years of negotiations, a draft code of conduct on the transfer of technology has reached an advanced stage. When adopted, the code will constitute a major landmark by virtue of its universal applicability and wide scope. It is addressed to all parties to technology transactions, both in developed and developing countries, irrespective of their social or political systems. At the present stage, emphasis is being placed on formulating general, flexible norms which reflect the consensus currently attainable among the various regional groups. As presently envisaged, subsequent development of the code after its adoption would contribute to the resolution of specific complex issues which have not been settled so far in negotiations.

204. A basic review of the industrial property system as embodied in the Paris Convention for the Protection of Industrial Property 31/ and in national laws, regulations and administrative practices is currently taking place under the auspices of the World Intellectual Property Organization (WIPO). So far it has

resulted in the adoption of guidelines for the revision of the industrial property system, internationally and nationally. The guidelines envisage a comprehensive revision of the system of reverse preferences granted to foreign patent holders in the markets of developing countries, and are intended to give greater recognition to the public interest when this has to be balanced against the rights of private patent holders.

205. Concerning the reverse transfer of technology and its policy implications for both developed and developing countries, consideration has been given within the United Nations to the possibility of establishing a set of definitions, principles, guidelines and standards which would serve as a basis for concerted international action to mitigate the adverse effects of such reverse transfers on developing countries.

206. Despite the progress achieved in revising the legal framework of the existing international scientific and technological relations and the significant transfer of technology which have taken place during the last two decades, the developed countries remain dominant in research and development. This points to an urgent need for steps that can help assure the fuller participation of the developing countries in the future in the evolution, direction, exchange and utilization of new technologies, and provide the type and form of co-operation they request. Official assistance provided by developed countries in science and technology generally is limited to uses that are defined by and bound to particular projects which form part of their aid programmes, adding an element of inflexibility even in fields where a suitable technological infrastructure in the developing countries exists.

207. The Strategy also calls for the development of a global and international information network for science and technology, as provided for in the Vienna Programme of Action, and for the early establishment of such a system by the Intergovernmental Committee on Science and Technology for Development. The Committee had initial discussions and will examine the development of a long-term plan. A step has been taken for the Early Identification and Assessment of New Science and Technology Development with the launching of a United Nations Advance Technology Alert System (ATAS). Preparatory work has been initiated for setting up national and international networks of ATAS-related institutions.

208. A specific accomplishment in the implementation of the Vienna Programme of Action has been the establishment of the United Nations Financing System for Science and Technology for Development, which became operational in 1983, replacing the Interim Fund. The Financing System relies on both "core" resources (voluntary contributions by developed and developing countries) and "non-core" resources (co-financing, multilateral contributions, cost-sharing, joint ventures, equity participation and trust funds) with an initial target of \$300 million for each in 1983-1985. By the end of 1982, a total of \$38.9 million had been pledged by Governments and an additional \$6.5 million obtained from other sources. Since November 1980, some 83 projects have been approved and initiated, for which the contribution of the Financing System amounts to \$37.9 million. It should be noted that, in addition to the Financing System's inputs, Governments of the developing

countries have committed their own resources, bringing the total, which was spent mainly on capacity-building activities in science and technology, to about \$115 million over the period from 1980 to 1982. However, because of limited resources and the large discrepancy between the initial target and the actual pledges, the Financing System has only been able to act on one in ten of the requests from the developing countries. The size and character of the demand for assistance, from remote sensing for natural resources and control of soil erosion and desertification to production of antibiotics and medicines from natural sources, are a clear indication of the dimensions of the problems faced by developing countries to master modern scientific and technological knowledge. The Intergovernmental Committee plans to undertake a world-wide mid-Decade review of the implementation of the Vienna Programme of Action.

#### H. Energy

209. The situation in the world's energy sector appears different today from December 1980, when the International Development Strategy for the Third United Nations Development Decade was adopted. At that time, after two tumultuous years in the energy sector, the common perception of the energy market during the forthcoming decade was one of chronic excess demand and persistent upward pressure on energy prices. Now, however, the general view is that, in the absence of any major disturbance, the energy market will be in approximate balance over the rest of the decade, with some tendency toward excess supply during the first half of the decade. This drastic reversal of outlook can be attributed to two main causes: first, the global economic recession, which reduced the demand for energy, and second, accelerated energy conservation measures as a response to the rise in energy prices during the 1970s. Many energy-deficient developing countries, however, are unable to reduce significantly their already low level of energy consumption and several have difficulty financing their higher energy costs.

##### 1. Recent trends in energy conservation and investment

210. In OECD, energy consumption, after falling in absolute terms from 1979 to 1980, fell by an additional 2.4 per cent between 1980 and 1981, declined by 2.2 per cent between 1981 and 1982, and, by early indications, dropped once again from 1982 to 1983. Their sluggish macro-economic performance over this period was associated with a lower intensity of oil consumption in domestic output.

211. Another reason for their declining energy consumption is their increased adoption of energy conservation measures. Most of the energy conservation achievements during 1973-1980 were "housekeeping" steps, that is, improvements in energy-using practices. It was only later, with the additional impetus provided by the 1979-1980 oil price rise, that significant investments in relatively energy-efficient capital goods began to be made. Since 1981, significant progress has been made in reducing the average number of miles per year driven by existing motor vehicles, as prices of motor fuels to final consumers were finally permitted to rise to world market levels. In addition, the motor vehicle fleet, in

particular in North America, has begun the process of transition to a much higher level of fuel efficiency. Significant energy conservation measures have also been introduced in their industrial, residential and commercial sectors.

212. Energy conservation policies have also been adopted in a number of developing countries over the last few years. The potential for energy-efficiency improvements in several developing countries is thought to be fairly significant, especially in the industrial, residential and commercial sectors. Such activities have already begun to be reflected in broad measures of energy intensity of production and recent studies have shown that the amount of commercial energy consumed per unit of aggregate output fell or remained constant in several developing countries after 1979. Data also suggest that, as in developed economies, the long-run price responsiveness of oil consumption in developing countries may be much greater than previously assumed. Even in oil-exporting developing countries, where oil is readily available in a physical sense, and where oil product consumption growth has been rapid, measures are being adopted to moderate the rate of growth in demand and to increase the economic efficiency of oil use.

213. Energy conservation has been given new emphasis in the energy strategies of centrally planned economies as well. In some countries, annual objectives have been set for the reduction of fuel and energy consumption rates for industry, and a number of specific ways in which energy could be utilized more efficiently have been identified for broad industrial sectors. Specific means for making more efficient use of energy in the transportation sector have been pinpointed. Further centralization of heat supply has been advocated in residential energy use and the need to update building codes to establish optimal heat insulation recognized.

214. The broad-gauged and rapid deceleration of demand for energy over the last three years has had an impact on the supply side as well, namely, the market weakness which has accompanied falling demand coupled with higher interest rates has slowed investment in the development of energy resources. For example, with respect to conventional crude oil, although the momentum of exploratory drilling efforts in the market economies continued into the 1980s, the number of active drilling rigs peaked in late 1981 and, by late 1983, had fallen to only two thirds of its maximum level. Similarly, investment has slowed in the development of coal and natural gas resources, as well as nuclear power, and in the infrastructure needed to process and transport them. Ambitious plans for the commercial production of synthetic fuels have been shelved for the most part, additional investment being mainly restricted to government-sponsored research and development. The development of renewable energy sources also lost some of its initial impetus following the weakening of energy prices. Thus, it seems that, although in a general sense there may be excess production capacity in the global energy economy at the present, future increments in that capacity will decline, hastening the restoration of supply-demand balance when energy consumption resumes growth.

## 2. Recent action on new and renewable sources of energy

215. Mindful of the inevitability of a resumption of energy consumption growth, the United Nations adopted steps during the period since the launching of the Third United Nations Development Decade to promote investment in energy resource development. Noteworthy among such efforts was the convening in August 1981 in Nairobi of the United Nations Conference on New and Renewable Sources of Energy.

216. The central achievement of the Conference was the adoption of the Nairobi Programme of Action for the Development and Utilization of New and Renewable Sources of Energy. <sup>32/</sup> The goals of the Programme are to be met by concerted action in five broad policy areas: energy assessment and planning; research, development and demonstration; transfer, adaptation and application of mature technologies; information flows; and education and training. Specific policy measures are identified under each of these headings for various new and renewable energy sources.

217. Subsequent to the Nairobi Conference, follow-up activities within the United Nations system have been under the general guidance of the intergovernmental body established within the Programme of Action, which, in December 1982, was transformed formally by General Assembly resolution 37/250 into the Committee on the Development and Utilization of New and Renewable Sources of Energy. The Committee recommended to the various organizations of the United Nations system that they should prepare detailed projects for immediate implementation on the basis of proposals which had been submitted to the Committee by ACC. The Committee stressed the role that consultative meetings, which are composed of representatives of interested recipients, donors and international organizations, could play in the provision of additional financial resources for development and utilization of new and renewable sources of energy in developing countries.

## 3. Future prospects and problems

218. On the demand side, although energy consumption will rise as economic recovery spreads, it seems clear that there remains considerable scope for energy and oil conservation on the basis of past price rises and policy measures. The International Energy Agency believes that the intensity of energy use - total primary energy requirements per constant dollar of real GDP produced - among OECD members could fall by about 14 per cent between 1979 and 1990, while the intensity of oil use could decline by about 22 per cent over the same period. As discussed earlier, several developing countries and centrally planned economies have launched sizeable programmes in the field of energy conservation in recent years, and these will begin to pay dividends in the form of enhanced energy efficiency well before 1990. Recent years have witnessed widespread investment in energy-efficient durable goods - both producers' and consumers' goods. Those investments are now in the nature of sunk costs, and the durable goods which they represent will not be replaced on the basis of moderate reductions in energy prices, especially during what is, in this particular sector, a rather brief period. Similarly, substitution by coal for heavy-oil products is still economic in some areas in commercial and

industrial boiler-firing and secondary electricity-generation. Moreover, the policy of a number of Governments will continue to be one of seeking diversification of fuels and energy forms. Hence, it seems unlikely that the impetus towards energy conservation and oil substitution will be significantly blunted over the remainder of the decade by the recent weakness in the energy markets.

219. As regards energy supplies, although investment seems to be lagging at the moment, the increments to production capacity brought into operation since 1980, coupled with the new capacity additions which will be realized over the next few years as a result of investments launched in the late 1970s and early 1980s, should provide adequate production capability to satisfy comfortably anticipated demand over the remainder of the decade. As noted earlier, exploration for crude oil rose rapidly from the mid-1970s to the end of 1981, and the resulting discoveries will continue to have a noticeable effect on the levels and geographic distribution of oil reserves over the rest of the 1980s. In addition, a few energy sources have reached a level of technological maturity and economic competitiveness at which they began to appear as practical alternatives to conventional crude oil on a commercial scale. Thus, besides shifting the pattern of actual energy use and production away from conventional crude oil to some degree, the energy development efforts of recent years have left a spectrum of energy sources - from conventional fossil fuels to exotic electricity sources - poised to make significant contributions to satisfying energy needs should price or policy signals so indicate.

220. It would, however, be an error to conclude, on the basis of revised expectations relative to the mid-term market, that the measures pertaining to energy enunciated in the Strategy have lost their original cogency. Undoubtedly, progress has been made and will continue to be made over the remainder of the decade in meeting the concerns which prompted the inclusion of energy in the Strategy. For example, as noted above, more rational patterns of energy consumption have been adopted, as called for in that document. Nevertheless, serious problems remain.

221. Even if current expectations of approximate overall balance between energy demand and supply during the remainder of the decade prove to be correct, there is still the likelihood that individual countries, or groups of countries, will have difficulties securing their requirements of specific fuels at particular times. The capacity of the energy-deficit developing countries to meet their anticipated oil import bills is critically important in this respect.

222. Also, it is questionable whether current rates of real investment in the development of the energy resources of the developing countries are commensurate with their resource potential. Thus, it is clear that, in general, the energy-deficient developing countries are not receiving the level of attention in terms of petroleum exploratory effort called for by their resource potential, as measured, for example, by the number of square kilometres of relatively unexplored sedimentary basin. Similarly, developing country producers of natural gas have been inhibited from expanding their rates of production to levels appropriate to their resources by the general lack of the local distributional infrastructure



needed for domestic consumption of gas and by the investment costs entailed in the construction of long-distance pipelines. In both these cases, and elsewhere in the energy sectors of developing countries, the most pressing constraint on the expansion of real investment has been the difficulty of financing the requisite projects. Domestically generated funds are necessarily spread over many developmental purposes, and external financing has not grown fast enough to permit energy production capacity to rise at a rate proportionate to burgeoning energy consumption needs. Thus, the question of the financing of the development of their energy resources through such channels as an energy affiliate at the World Bank is of major importance to developing countries. There is also the critical need for the strengthening of the technological capacity of the developing countries in the development of their energy resources and, in particular, that relating to the transition from conventional sources to a more diversified mix of energy resources. These and related issues have been addressed by the General Assembly at its thirty-eighth session and will be considered again by that body at its thirty-ninth session. For new and renewable sources of energy, the financing of supporting actions and pre-investment activities seems of particular importance and a proposal to address this issue through a specific mechanism within the United Nations framework is being submitted to the Committee for the Development and Utilization of New and Renewable Sources of Energy at its second session.

#### I. Transport

223. The Strategy underlines the importance of transport and communications for the promotion of overall economic development of the developing countries, for strengthening of their interregional and intraregional links and for ensuring their greater participation in international trade. It calls for national and international action to develop their merchant fleet so as to increase their share of the world tonnage to 20 per cent by the end of the Decade and to enable them to compete more effectively in international maritime transport and to develop their air transport system. The Strategy emphasizes the development of roads and railways as an important part of physical infrastructure and urged substantially increased international support for it.

224. In multilateral assistance for the development of transport and communications, lending by the World Bank has been by far the most important. Over the past few years, total Bank lending for those sectors in the developing countries increased significantly. From an average of \$1.2 billion during 1974-1978, lending increased to \$1.6 billion in 1980 and to around \$2.0 billion in each year in 1981 and 1982. 33/

225. The Programme of Action for the Transport and Communications Decade in Africa (1978-1988) provides some idea of efforts for development of transport infrastructure needed in Africa, a region most urgently requiring development of transport.

226. The Programme of Action is to be implemented in two phases under the leadership of the Economic Commission for Africa: phase I for the period 1980-1983

and phase II for 1983-1988. The Phase I of the programme originally included 771 projects for an estimated cost of around \$8.86 billion: \$8.34 billion for transport and \$0.52 billion for communications.

227. In 1981 and 1982, ECA organized several technical consultative meetings at the subregional level with the participation of donors and member States, in order to secure the financial resources required for the implementation of the Decade projects. Concurrently, ECA continued to update the programme of the first phase. As at December 1982, phase I comprised 1,092 projects at a cost of \$15.44 billion: 779 transport projects totalling \$14.33 billion and 313 communications projects costing \$1.11 billion. Financing has been secured for only 45.7 per cent of the updated first phase programme. 34/ In all, 396 projects with a total cost of \$6.83 billion have been retained in the first phase, while the rest have been transferred to the second phase programme which, as at January 1983, totalled \$30.96 billion for 1,322 projects with \$26.65 billion for transport and \$4.31 billion for communications.

228. Although most of the donors of foreign assistance for projects under the Programme of Action for the Decade have preferred to extend financing on a bilateral basis, some degree of collective commitment has been provided, for example, by their participation in a donor conference organized by the Southern African Development Co-ordination Conference (SADCC), which secured a pledge of \$1.3 billion for phase I of the Decade. A series of consultations between donors and the developing countries of Africa, organized by the Economic Commission for Africa, also resulted in a commitment of \$940 million for the programme. 35/

229. The SADCC and the South African Transport and Communications Commission set up by it are examples of some recent efforts at regional co-operation in the development of a transport network in Africa, though the results of such co-operation have not so far been very satisfactory. Emphasis on the regional approach is also reflected in a number of projects on development of transport and communications undertaken by the United Nations system primarily for the land-locked countries in Africa and other regions.

230. While the physical expansion of land transport infrastructure has been constrained by lack of sufficient financial resources in many developing countries, serious problems of management and maintenance remain, specially in railways. Efforts are needed to improve managerial and technical skills through training and technical co-operation, including co-operation among developing countries. Some of the technical cooperation programmes of the United Nations system (for example, UNCTAD/UNDP) and donor countries have been directed towards those problems. Many countries with old transport infrastructure, as in some Asian and Latin American countries, also need financial support for replacement and improvement of the existing facilities.

231. The developing countries need to expand their own merchant fleet in order to participate more fully in international trade and to receive a more equitable share of the benefits of maritime shipping. Development of their merchant fleet has been greatly constrained not only by the lack of finance, but also by built-in biases

restricting the entry of those countries into international shipping. The interests of shippers from developing countries are also inadequately served by the existing pattern of fleet ownership and shipping arrangements.

232. The developing countries now account for less than 14 per cent of world shipping, although 40 per cent of world trade is generated in those countries. The Strategy called for an increase in the share of the developing countries to 20 per cent of the world tonnage of merchant fleet by 1990. There has been a noticeable increase in the share of the developing countries over the past decade, from around 6.3 per cent of world gross deadweight tonnage in 1970 to 10.0 per cent in 1980, and to 13.6 per cent in 1982. 36/ The bulk of the increase during 1981-1982 is accounted for by Asian countries, while the share of the African and Latin American countries remained practically unchanged.

233. The United Nations Convention on a Code of Conduct for Liner Conferences was adopted in 1973. 37/ Among its aims were the provision of a more adequate safeguard for the interests of developing country shippers in matters of freight rates through meaningful consultations between the shippers and the liner conferences and facilitation of the entry of developing country shipping lines into liner conferences. The Convention came into force in October 1983 after the required minimum of 24 countries accounting for 25 per cent of world tonnage had become contracting parties to it.

234. With the growth of containerization, multimodal transport became important in international shipping and multimodal transport operators from developed countries came to dominate the field. As a means of facilitating the participation of developing country multimodal transport operators and safeguarding the interest of shippers from these countries, the United Nations Convention on International Multimodal Transport of Goods was adopted in May 1980. 38/ It will come into force after 30 States have become contracting parties to it. As at February 1984, only six countries had signed the Convention.

235. Inadequate port facilities and congestion in ports are major problems facing many developing countries. Bottlenecks in ports raise the cost of transportation through delays in loading and unloading of cargo. Often such bottlenecks hinder the distribution of essential imported goods in need of speedy handling at the ports. The necessity for improvement of port facilities and management has been widely recognized and port development projects are under way in many countries. The constraints, both financial and technical, remain great. The World Bank has been involved in major port development projects in a number of countries. A significant portion of the Bank's total lending for the transport sector is devoted to development of ports. In addition, UNDP has also been financing a large number of projects of technical cooperation in the field.

236. Air transport development is a high priority for many developing countries but progress has been limited by the scarcity of available resources. Aviation in the developing world is frequently the only feasible communication link between metropolitan centres and the only means to bring isolated and depressed areas into the mainstream of development and to assist in providing basic health, education,

security and administrative services. UNDP has been involved in a number of civil aviation projects. UNDP assistance in this field, with the International Civil Aviation Organization (ICAO) as executing agency, has represented a significant contribution to development. Multilateral and bilateral funding sources outside the United Nations have also become increasingly aware of the catalytic role of civil aviation in development, and channel funds to this sector through ICAO.

237. In addition to its technical assistance activities and the promulgation of standards and recommended practices for world-wide adoption in the technical and operational fields of civil aviation, ICAO continues to provide an active forum for discussion and resolution of economic problems affecting the provision and conduct of international air transport services. Those activities are undertaken in accordance with the Convention on International Civil Aviation, 39/ and have served to ensure that such problems as discriminatory and unfair practices which affect other service industries are to the greatest extent avoided in international air transport.

#### J. Economic and technical co-operation among developing countries

238. The International Development Strategy calls for the promotion of economic and technical co-operation among developing countries. The Strategy envisages that the developing countries will promote and expand areas of mutual co-operation among themselves in accordance with the relevant decisions taken by these countries in the Arusha Programme for Collective Self-Reliance, 40/ as well as in other programmes agreed at in Mexico City, Havana and Buenos Aires and in regional programmes, including the Lagos Plan of Action for the Implementation of the Monrovia Strategy for the Economic Development of Africa. 41/

239. The Strategy's premise is that, while the developing countries are to increase the orientation of their policies around collective self-reliance as a means of accelerating their economic development and improving their position in the system of international economic relations, the international community is to take measures to provide support and assistance to developing countries in strengthening and enlarging their mutual co-operation. Such enlarged co-operation would promote more equitable economic relations and would contribute to the growth of world output. In the implementation of this policy, action has been taken at various levels.

##### 1. Action at the global level

240. In action at the global level, the Caracas Programme of Action (A/36/333 and Corr.1, annex), adopted by the High-Level Conference on Economic Co-operation among Developing Countries, held from 13 to 19 May 1981, envisaged measures of co-operation in the areas of trade, technology, food and agriculture, energy, raw materials, finance, industrialization and technical co-operation among developing countries (TCDC). Detailed programmes of action up to the mid-1980s have been drawn up in these areas. A mechanism for global co-ordination has also been

established. A Core of Assistants, nominated by Governments, has been created to assist the Chairman of the Group of 77 in New York with the task of co-ordinating overall actions of developing countries. Annual meetings of the Inter-Governmental Follow-up and Co-ordination Committee on Economic Co-operation among Developing Countries were held at Manila in 1982 and at Tunis in 1983 to review the overall progress, to co-ordinate national actions and to propose further action.

241. The global priorities of collective action for the early years of the 1980s included trade, finance, energy, industrialization, food and agriculture, and articulation of institutional co-operation at the subregional, regional and interregional levels. Progress achieved in major areas of collective action in the first years of the 1980s is reviewed below.

(a) Trade

242. The Strategy calls on developing countries to promote and expand trade among themselves. With rising industrial and agricultural production, the possibilities for enlarging the division of labour among developing countries have grown. The trend of the 1970s showed a faster growth in exports of developing countries to each other than to the rest of the world. This trend continued in the early years of the Decade. In 1981, while exports of the developing countries to the world declined by about 2 per cent, intra-group exports increased by approximately 4 per cent. In 1982, while exports of the group to the world fell by roughly 12 per cent, intra-group exports fell about 4 per cent. Thus, the share of intra-group exports continued to rise and mutual trade counteracted, to some extent, the decline in world trade.

243. One of the priorities in trade among developing countries is the extension of trade preferences among themselves. In the past, attempts to liberalize trade among developing countries have been made mostly at subregional and regional levels. Despite all difficulties, these schemes have, in most instances, contributed to the expansion of trade among their member countries. It appears that, after an initial phase in which the existing complementarities have been exploited, the expansion of trade through regional preferential schemes has commonly slowed down. These groupings have been confronted with the uneven impact of trade liberalization on development of member countries. Measures other than tariff concessions have been needed to sustain initial gains, but agreements on production specialization and on allocation of investments have proved hard to reach among partners which are invariably at different levels of development and productive efficiency.

244. In 1983, steps were taken towards the initiation of negotiations on a Global System of Trade Preferences among Developing Countries (GSTP) in line with the Ministerial Declaration adopted by the Group of 77 in October 1982 (A/37/544, annex II). A previous effort to establish trade preferences among developing countries at the interregional level was made through the GATT Protocol relating to Trade Negotiations among Developing Countries, which originally had 16 signatories and came into force in 1973. However, trade under this Protocol has remained a small fraction of the total trade of the participating countries. The concessions

negotiated have tended to give further encouragement to already established patterns of trade in terms of both products and countries. Trade in the products covered by concessions has increased substantially.

245. The potential contribution of the GSTP to trade expansion among developing countries will only become clearer with the negotiations themselves. More than 40 countries have so far signified their interest in the GSTP, and they form a diversified group. They include both energy importers and energy exporters, more and less industrialized countries, and a few food-exporting countries. The general principles agreed upon for these negotiations envisage that all product categories should be covered in step-by-step negotiations on both tariff and non-tariff barriers, that GSTP should not replace, but should reinforce present regional groupings and that it should take into account differences in economic strength of the negotiating partners.

246. Efforts to promote trade among developing countries could be usefully supplemented by intensified efforts in the field of financial co-operation for trade and in related areas, such as the establishment of joint ventures in energy, transport and communication.

(b) Co-operation in labour and skills

247. The International Development Strategy calls on developing countries to supplement their efforts at the national level by initiating or strengthening co-operative measures among themselves for the acquisition of skills, while the Caracas Programme of Action (CPA) recommends "encouragement of free movement of surplus trained manpower among developing countries through mutually beneficial arrangements between interested countries": 42/

248. A large flow of labour and skills took place in the 1970s, particularly into a number of oil-exporting developing countries. It is estimated that, at the beginning of the decade, some 3 million migrant workers were active in West Asia, mainly in the Persian Gulf States; and there were comparable numbers in Latin America and Africa. There were also labour movements to some of the rapidly industrializing countries with emerging labour shortages in South Asia.

249. Migrant labour has come to account for a sizeable portion of the workforce in many developing countries. This movement of manpower among developing countries took place mostly as a spontaneous result of underlying economic trends, but it can be seen to represent a new form of co-operation in the spirit of the recommendation quoted above from the Caracas Programme of Action. Indeed a number of bilateral agreements for the exchange of labour have been concluded. While by no means all migration among developing countries has been composed of skilled labour, there have been a considerable number of doctors, engineers, accountants, teachers and qualified construction workers in those labour flows. Available data warrant a qualified estimate that, in the flows into the capital-surplus countries, at least one third may represent trained manpower.

250. In the host countries, that labour movement has helped to overcome scarce labour and skill supplies required by ambitious development programmes. In countries of origin, the migrant remittances provided a supplementary source of external finance 43/, although at times it was at the cost of creating temporary shortages of skilled personnel at home and of subjecting the domestic labour market and the balance-of-payments to economic fluctuations in the immigration countries. In receiving countries, the very high proportion of expatriates in their labour force is sometimes perceived as a potential source of social and political tensions. A phase of adjustment to a lower demand for expatriate labour in the host countries is now under way.

251. The present dimensions of labour exchanges among developing countries and the degree in which the development and even the current functioning of the economy in certain countries depend on it in one way or the other - be it human resources or foreign exchange - points to the need of international arrangements to protect the interests of all parties involved. These arrangements might include civil rights and working conditions of migrant workers, agreements on sharing educational costs, on double taxation or social security rights of migrant labour, on information exchange on needed and available skills, as well as measures to regulate the flow of migrant labour. This may be an idea worth further consideration of the interested developing countries, since the ongoing work on the International Convention on the Protection of the Rights of All Migrant Workers and Their Families is concerned with a more universal solution to the problem.

(c) Monetary and financial co-operation among developing countries

252. Various programmes of action and developing country declarations have recognized the importance of intra-developing country monetary and financial co-operation.

(i) Aid flows

253. The Strategy calls upon developing countries, in a position to do so, to provide assistance to other developing countries. In fact, in the 1970s, such assistance came to play an important role in overall financial flows to developing countries. Thus, by 1975, OPEC donors were providing concessional flows to other developing countries which amounted to 30 per cent of global official development assistance, that is, ODA from Development Assistance Committee countries, CMEA donors and OPEC members. In the aftermath of the economic recession, however, and the sharp decline in the oil-exporters' earnings in the late 1970s and early 1980s, OPEC disbursements of concessional assistance have stabilized at about 22 per cent of the total ODA figure. Thus, OPEC aid declined from \$9.1 billion in 1980 to \$7.7 billion in 1981. Moreover, in real terms, 1981 saw the lowest annual level of ODA disbursed by OPEC aid donors since 1973. None the less, the reduced OPEC aid still amounted to 1.4 per cent of GNP.

254. There have tended to be fairly substantial fluctuations in the overall concessionality of this assistance from year to year. Because of the large grant assistance to some middle-income countries, aid to those countries as a group has

tended to be on particularly soft terms. OPEC aid has usually been untied, permitting procurement of goods and services at the lowest market price and, therefore, meeting a need not fully met by traditional donors.

255. OPEC aid commitments are heavily non-project oriented. The bulk is general support, that is, budget and balance-of-payments support. In 1981, for instance, general support accounted for 75 per cent of bilateral commitments. Project assistance, meanwhile, tends to be concentrated on infrastructural projects - transport, storage and communications - and on energy. In 1981, for example, those categories accounted for over 50 per cent of project aid.

256. Besides the concessional disbursements referred to above, some Arab/OPEC multilateral aid agencies extend finance on non-concessional terms. This reached \$265 million in 1981.

(ii) Trade finance

a. Existing regional facilities

257. A significant form of intra-developing country co-operation is the existence of a growing number of institutions dealing with monetary and financial matters. These now include banks, reserve funds, and clearing and credit arrangements. A number of the regional banks assumed an important role in the provision of trade finance. A few notable examples are cited below as indicative of recent co-operative trends.

(a) Inter-American Development Bank (IDB). Since its inception in 1963, the scope of the Inter-American Development Bank has been broadened from intra-regional trade in capital goods to cover services related to capital goods, as well as other non-traditional exports which help to stimulate production. Moreover, new resources provided in trust by Venezuela in the early 1980s may be used to finance exports of capital goods sold outside the region.

(b) Latin American Export Bank (BLADEX). BLADEX is a joint venture of a number of Latin American Central Banks and supplements the resources available through IDB. Latin American commercial banks have thereby been able to refinance export credits on traditional as well as non-traditional exports. During the first four years of operations (1979-1982), the cumulative amount of loans granted by BLADEX was \$2.85 billion, of which \$1.5 billion was granted in 1982 alone. Having successfully filled a void which exists in other developing regions trying to compete on world markets with non-traditional exports, the BLADEX experience may serve as a model for groupings whose aim of joint export promotion has not yet moved beyond the planning stage.

(c) Islamic Development Bank (IsDB). The IsDB finances foreign trade among its member countries. Of the foreign trade operations financed so far, 77.7 per cent pertained to trade among IsDB member countries. In terms of commodities, 73 per cent of the loans involved trade in crude petroleum and petroleum products, while the rest was divided among fertilizers, jute products, cotton, cement, vegetable oils and lead ores.



(d) Andean Trade Finance System (SAFICO). The Andean Development Corporation established the Andean Trade Financing System in 1974 to finance non-traditional exports (consumer goods, raw materials, capital goods and entire projects) from Andean countries as a complement to financing by the member countries' national credit export institutions. Potential borrowers are trading and industrial firms as well as banks, both official and private, provided they are locally-owned. The cumulative value of credit operations approved as at April 1981 amounted to \$99.5 million.

b. Interregional approach: the "South Bank"

258. The Arusha Programme for Collective Self-Reliance envisaged the establishment of a "Bank for Developing Countries", a concept which is still in the process of elaboration. At the Jamaica meeting, held in March 1982, experts of developing countries identified two critical gaps in the existing structure of international financing: the absence of an institution which could provide adequate balance-of-payments support at short notice, and the lack of development financing. In August 1982, at a follow-up meeting in Manila, UNCTAD was asked to provide technical documentation for a feasibility study. The capital structure of the proposed bank was calculated after a detailed investigation of capital requirements in different fields. A number of major areas are included besides balance-of-payments support: development projects, joint ventures, export credit, commodity stabilization and regional payments and credit arrangements. 44/ A High-level Technical Meeting on the Feasibility of a Bank of Developing Countries will take place in April 1984 at United Nations Headquarters to discuss further the Bank's capital structure and other issues, such as possible private participation. Consideration of the proposal will then continue at the third session of the Intergovernmental High-level Meeting on the Feasibility of a Bank of Developing Countries in June 1984.

(d) Other co-operative action

259. In the field of food and agriculture, co-operation for more stable supply, increased joint production and greater national and regional self-sufficiency in developing countries was stressed in the Caracas Programme of Action and in a number of subregional and regional groupings or bilateral agreements. In the beginning of the decade, various regional groupings adopted schemes to give preference in supply and to promote trade in food among themselves. At present, less than 30 per cent of total food imports of developing countries come from other developing countries, while their food imports from the world have been steadily growing. A certain amount of regional and bilateral co-operation exists also in exchanging information on food prices and availability, technical assistance, research and training, as well as extension of storage capacity.

260. Energy is a comparatively new field of co-operation. A few regional and bilateral agreements exist in Latin America, in the Middle East and in Africa under which oil-exporting countries guarantee to oil-importing developing countries the supply of oil and oil products under more favourable conditions, such as a price rebate or long-term and low-interest credit. A more recent attempt to face

increased balance-of-payments difficulties are barter arrangements, by which oil is swapped for other goods. Joint projects for the development of hydroelectric and other renewable energy resources to serve more than one country have been launched, like river-basin developments, mainly in Africa and Latin America, as well as joint ventures between state enterprises of different countries in hydroelectric plants, refineries and oil prospecting. Joint research and the building up of information systems are also being attempted.

## 2. Action at the country, subregional and regional levels

### (a) Country and subregional level

261. In keeping with the recommendation of the Caracas Programme of Action, 50 States had designated national focal points as at March 1983. These focal points are intended to ensure an effective mechanism for the co-ordination, promotion and provision of information on matters pertinent to co-operational activities.

262. At the operational level, the mechanisms for undertaking co-operation are Action Committees and National Research and Training Centres of Multinational Scope (NRTCMS). Through such institutional mechanisms, a host of co-operative activities have been generated in bilateral or multilateral arrangements. For historical reasons, however, most information pertains to technical co-operation. Such information exists for some 50 countries, indicating that they have been involved in some 12,300 projects during the period 1980-1982. 45/

263. The available evidence indicates that co-operative programmes at the national level, depending on the particular countries involved, take the form of either contributions (of exports, training facilities or finance) or the exchange and sharing of experience. Training, in general, be it long-term, short-term or on-the-job, accounts for the lion's share of co-operative activities. Various sorts of training projects are undertaken, including training in such fields as agriculture, mining, industry and manpower. More recently, the provision of equipment and technical expertise has been emerging as important. Relevant in this context are programmes in forestry, medicine, engineering, administrative reforms, education and agricultural sciences. Lastly, joint research projects, in such fields as solar energy, fisheries and tropical animal diseases, have been initiated.

264. Co-operation tends, most often, to take place between countries in the same region. There has, however, been a new tendency in recent years for countries to co-operate bilaterally and multilaterally with partners in other regions.

265. Co-operation with other developing countries has become a subject of legislative action and some countries have incorporated such ECDC/TCDC activities into their national policies and plans. Many countries also have bilateral agreements, memoranda of understanding and joint commissions with their co-operating countries.

266. Co-operation is frequent among developing countries at the subregional and regional levels as regards concerns common to them, for example, designing telecommunication projects or projects related to aerial navigation, water transportation, irrigation, agricultural development or the development of tourism. Frequently, such specialized co-operation has become institutionalized as, for instance, in the case of the Mekong and Senegal River co-operation projects.

(b) Multilateral support

267. The Strategy calls on the international community to support and assist the developing countries in strengthening and enlarging their mutual co-operation, at the subregional, regional and interregional levels. The United Nations system, as part of the international community, plays a growing role in this type of support.

268. The regional commissions have acquired wide experience in promoting and supporting ECDC and TCDC. Co-operation has always been inherent in most of their activities at the subregional and regional levels. The Buenos Aires Plan of Action 46/ entrusts them with a specific mandate to assist Governments of developing countries in the area of TCDC, while the Caracas Programme calls for their support in the sphere of ECDC. Some examples are indicative of areas of the regional commissions' support and promotional activities.

269. A number of projects are under way in all the regions designed to facilitate international and interregional transport. Related projects include the development of inter-island shipping and the streamlining of customs procedures. In Africa, the importance of this sector has been highlighted by proclamation of the 1980s as the Transport and Communications Decade. In addition to those undertakings, the regional commissions are also supporting technical and economic co-operation in such fields as trade, science and technology, and manpower training. Co-operation at the regional level in energy, food and agriculture has already been mentioned above.

270. At the interregional level, the Buenos Aires Plan of Action calls upon the regional commissions to assist Governments of developing countries in collaboration with interregional organizations, institutions or arrangements to strengthen the interregional linkages between subregional and regional organizations, to identify jointly development measures that are interregional in scope and have a TCDC dimension, as well as to co-operate in other areas of joint concern.

271. To co-ordinate these programmes, a cross-organizational programme analysis (COPA) of United Nations activities in the ECDC/TCDC area was instituted in 1983, which is expected to describe and analyse the various mandates for action by the organizations and agencies of the United Nations system in this area, and to discuss the problems addressed by those mandates. In particular COPA will aim to identify any gaps or duplications in such activities as well as to improve the effectiveness of the existing co-ordination arrangements.

272. The international community has been providing some financial back-stopping to developing country co-operative activities. For example, within UNDP, the Governing Council has authorized developing countries to allocate for such purpose

up to 10 per cent of their Indicative Planning Figures. In fact, five countries have earmarked some \$15 million specifically for TCDC activities during the Third Cycle. Some additional support has been available from special development funds set up by some agencies. Additionally, some developing countries in a position to do so have undertaken to finance co-operative efforts of other developing countries. Moreover, a number of developed countries have adopted specific policy measures in support of economic and technical co-operation among developing countries.

273. By 1983, economic and technical co-operation had become a highly structured international policy measure. It holds promise of bestowing substantial benefits on the developing countries by enabling them to accelerate their economic growth. This in turn would benefit the developed countries and the world economy as a whole.

K. Least developed countries, developing island countries, and land-locked developing countries

1. Least developed countries

274. The Strategy recognizes the special problems of the least developed countries and emphasizes, as an essential priority, the need for a special programme of action to accelerate their development. A very low level of per capita income, and hunger, malnutrition, disease and illiteracy, which development is meant to overcome, themselves make the task of economic and social development of these countries a particularly difficult one. The nature of the economy, with its predominance of traditional sectors, and the lack of physical and social infrastructure are both causes and consequences of their low level of development. While the magnitude of their problem demands special efforts at the national level, it also necessitates a greater reliance on external concessional resources than for other developing countries.

275. The Strategy called for speedy finalization and implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries, 47/ which was adopted at the United Nations Conference on the Least Developed Countries held at Paris in September 1981 and endorsed by the United Nations General Assembly on 17 December 1981 (resolution 36/194). It reflected the priority that the Strategy assigned to the accelerated development of those countries and urged a concerted effort to increase sharply their rate of economic growth during the 1980s so as to double per capita income by 1990. The rates of growth of agricultural and industrial production were to be raised and physical and social infrastructure built in order to achieve the overall objectives of the Programme. In support of those objectives, external assistance to the least developed countries was to be significantly increased. In particular, the Substantial New Programme of Action envisaged that most donors would devote 0.15 per cent of their gross national product in the coming years to official development assistance (ODA) for the least developed countries, while other donors would double the level of such assistance. These efforts were expected to result in the doubling of the total ODA to the least developed countries by 1985.

276. In terms of the major targets and objectives of the Substantial New Programme of Action, the actual performance at the beginning of the 1980s has been disappointing. Per capita income actually declined in the least developed countries during the period from 1981 to 1982. In particular, agricultural production declined in per capita terms. Industrial production stagnated. The deterioration at the beginning of the 1980s, coming in the wake of two decades of stagnation, underlines the magnitude of the task that lies ahead if the objectives of the Substantial New Programme of Action are to be realized.

277. At the national level, most of the least developed countries have drawn up plans of action to promote their economic and social development during the 1980s. Many of these plans were taken into consideration in the formulation of the Substantial New Programme of Action, particularly in assessing the resource requirements of these countries over the period. While they differ considerably among themselves in their nature and content, often reflecting differences in economic and social circumstances, they exemplify a common commitment of national Governments to increased domestic efforts. The Substantial New Programme of Action too reiterates the consensus among national Governments that the primary responsibility for development rests with the least developed countries themselves.

278. Efforts are being made to strengthen the national planning machinery and most of the least developed countries have appointed a government focal point for review and implementation of the Substantial New Programme of Action. A number of countries have, since the Paris Conference, organized round tables or consultative group meetings, during which their plans and programmes as well as their needs for external assistance were discussed with donor countries and institutions and financial support mobilized for their development.

279. While national efforts have been emphasized, the need for external resources remains critical, because of the very low per capita income and domestic savings, and has actually become more urgent over the past few years, as the least developed countries, like many other developing countries, experienced a sharp deterioration in their external trade as a result of the world economic recession. The substantial increase in external assistance envisaged in the Substantial New Programme of Action did not materialize. Total ODA to the least developed countries, which was around \$6.8 billion in 1980, actually declined by 4.6 per cent in 1981 and rose to an estimated \$7.4 billion (at 1980 prices) in 1982, <sup>48/</sup> giving an annual average increase of only 3.4 per cent in real terms over the first two years of the Strategy. Official development assistance from member countries of the Development Assistance Committee (DAC) of OECD, which accounted for around 78 per cent of total ODA to the least developed countries, increased from \$5.4 billion in 1980 to \$5.7 billion in 1982 at 1980 prices, or by less than 6 per cent over the two years.

280. The prospect of achieving the target of doubling ODA by 1985 appears dim and present expectations are that, unless special efforts are made by the major donors, its volume may not be much larger than \$9 billion (1980 prices) by that year, compared with the target of \$12.7 billion. <sup>49/</sup> As a proportion of GNP of the member countries of DAC, ODA from these countries to the least developed countries

was still only 0.09 per cent in 1982. As in the case of total ODA flows to all developing countries, there were large differences in donor performance. Five countries (Belgium, Denmark, the Netherlands, Norway and Sweden) have already exceeded the target, while in some others their ODA/GNP ratios were 0.05 per cent or lower.

281. The Strategy called for an increase in the concessionality of assistance to the least developed countries. The concessionality of ODA to the least developed countries from DAC member countries, as measured both by the proportion of grants and by the grant element, remained higher than that of ODA flows to developing countries as a whole. However, the degree of concessionality of ODA flows to the least developed countries in the first few years of the Decade appears to have declined somewhat. The average grant element of ODA commitments to the least developed countries declined from 96.8 per cent in 1980 to 92.1 per cent in 1982.

282. A large proportion of the total ODA to the least developed countries goes to agricultural development. This is consistent with the priority given to agricultural development in the Substantial New Programme of Action. During 1980-1982 around 19 per cent of the official development assistance committed by DAC member countries was earmarked for this sector. Technical assistance was also a significant proportion of total assistance (about 17 per cent in 1982). <sup>50/</sup> Though sectoral priorities are important, they are so only in the context of a sufficient level of assistance. A high priority given to a sector has significance only if the absolute amount of assistance for it is large enough to make an impact.

283. The debt burden of the least developed countries has been increasing rapidly in recent years. A number of donors took action to provide some debt relief to these countries, in some cases by debt cancellation and in some by other retroactive adjustment measures. Most of these steps were, however, taken before 1981 and the outstanding debt of the least developed countries has been growing rapidly since then. Their debt-service payments amounted to almost 32 per cent of their export earnings by 1982 (see A/38/471).

## 2. Developing island countries

284. The major characteristics that distinguish most of the countries of this group are their remoteness and smallness. Many of them are located far from the main centres of production and distribution of the world economy. This puts them at a disadvantage in terms of transport links with international markets. The archipelagic geography of many of these islands further compounds their problems. Most of these countries are also very small and heavily dependent on foreign trade, without a domestic economy of sufficient size to benefit from economies of scale and to warrant a balanced growth of different sectors of the economy. They often depend on a very limited range of primary commodities for the bulk of their foreign exchange earnings. These countries are also more than usually vulnerable to natural disasters like cyclones.

285. There is no official list of island developing countries and donor countries have not, in most cases, recognized these countries as constituting a special category. Nevertheless, a number of donors reported that, in their provision of assistance, by and large they take into account the special handicaps and needs of the island developing countries. 51/ Thus, EEC accords priority to the development of sea and air transportation for the island developing countries and has expressed readiness, under the Lomé Convention, 52/ to help develop their shipping sector. The African Development Bank provides assistance for the development of transport and communications in these countries. The priority of air transportation in the Caribbean has been recognized by a number of donors, and some funds for its study and development have been made available. The assistance of the World Bank and the Inter-American Development Bank to the Caribbean Development Bank reflects their support for the island economies of the region.

286. The nature of the assistance provided sometimes also takes into account the smallness of many of those countries. Thus multi-island and inter-country approaches have been adopted in the provision of assistance by a number of agencies, including the World Health Organization and the United Nations Development Programme. The regional approach has also been the basis for the setting up in 1983, with the World Bank as the executing agency, of an Interagency Resident Mission for the Eastern Caribbean for providing development assistance as well as for the co-ordinated execution of investment programmes in the seven developing countries of the region.

### 3. Land-locked developing countries

287. The handicap that distinguishes this group of countries is the lack of direct access to the sea, making them dependent on transit arrangements with neighbouring countries for their trade with the rest of the world. This type of obstacle, combined with other adverse factors, has placed most of the land-locked countries among the poorest in the world. Of the 21 land-locked developing countries, as many as 15 are listed among the 36 least developed countries. Those countries are also among those experiencing the slowest rates of economic growth.

288. The need for transit arrangements directly increases transport costs for the land-locked countries. Often these arrangements are non-existent or inadequate. While the distance over which goods have to be transported through the neighbour countries is often great, the transport system of the neighbour country, itself a developing economy, may be underdeveloped and inefficient. Additional port and other facilities that the coastal State must provide for the land-locked country may be inadequate and costly to develop. Customs and other procedural matters between the two are often complicated and involve delays and losses. A good transit system also requires co-ordination between the transport systems of the neighbour countries as well as general co-operation and good neighbourliness.

289. As with the island developing countries, donor countries and institutions have not, in general, recognized developing land-locked countries as a special category, but have declared awareness of the special problems of those countries. To some

extent, this awareness is reflected in the pattern of their development assistance. The land-locked countries have sometimes received special attention from individual donors for their transit-transport problems, though the amount of assistance provided in this field remains inadequate.

290. Thus EEC provides a higher level of overall per capita assistance to the land-locked countries which are signatories to the Lomé Convention than to other African, Caribbean and Pacific (ACP) countries. The development of transport and communication is given priority by several individual donors as well as by regional and international agencies. <sup>53/</sup> The UNDP takes into consideration the land-locked condition of a developing country in determining the size of its programme for the country.

291. A Special Fund for Land-locked Developing Countries is administered by UNDP. However, because most donors have not recognized the land-locked countries as a special category, the Fund has not been able to finance a programme of sufficient size. Pledges to the Fund during the first five years of its existence have totalled only \$1 million.

292. The development of a transit-transport system inevitably involves co-operation between the land-locked country and its neighbours. A number of bilateral arrangements of this nature already exist. At the regional level, a recent development was the convening, in 1980, of the Southern African Development Coordination Conference (SADCC) of nine southern African States and the setting up of the Southern African Transport and Communications Commission. One of the main aims of SADCC is the development of a regional transport and communications network, including priority projects for port facilities and transit links for the land-locked countries of the region. A sizeable fund has already been pledged by donors for these purposes. <sup>54/</sup> The regional approach is also the basis of a number of projects being implemented by the United Nations system for the land-locked countries. These projects attempt to deal with the various problems affecting the transit-transport systems of the land-locked countries of Africa and Asia.

#### L. Environment

293. The Strategy calls for measures to promote the environmental and ecological soundness of developmental activities, including an increase in financial and technical resources directed to this end. The early years of the Decade have seen a rapid spread of awareness in developing countries of the need to protect the environment. The fear that efforts in this direction would conflict with development has diminished with greater appreciation that sustained development required a reconciliation between the claims of environmental protection and other socio-economic claims. A clear sign is the recent spread of, and wider support enjoyed by, environmental movements in developing countries. At the level of policy, international and national, a comprehensive approach to safeguarding the life-sustaining and productive capacity of nature is being developed. Progress was made in the elaboration of an appropriate legal framework and legal instruments for environmental protection.



294. A World Conservation Strategy was prepared in 1980. 55/ This was followed in 1982 by the adoption of the World Charter for Nature (General Assembly resolution 37/7, annex). Environmental provisions were included in the 1982 United Nations Convention on the Law of the Sea 56/ and the 1983 International Tropical Timber Agreement (TD/Timber/11). The Global Environmental Monitoring System has been expanded. The Convention on International Trade in Endangered Species of Wild Fauna and Flora 57/ has raised its membership to over 80 countries. Work continues on a draft global framework convention for the protection of the ozone layer. Regional conventions and protocols adopted since 1980 also contain provisions relating to the environmental aspects of development, such as the Abidjan Convention for Co-operation in the Protection and Development of the Marine and Coastal Environment of the West and Central African Region, the Lima Convention for the Southeast Pacific, the Jeddah Convention for the Red Sea and the Gulf of Aden, and the Cartagena Convention for the Wider Caribbean. The framework has also been created for international co-operation in respect of several regional seas. Some advance has been made in other areas of institutional build-up for regional co-operation among developing countries in environmental management or protection, both multilaterally or bilaterally. Some positive measures have been taken by individual developing countries to protect their environment, including the adoption of techniques to assess the environmental impact of investment and to improve natural resource management.

295. The spread of awareness of environmental issues has, however, coincided with the period of worsening economic conditions in many countries. This has brought greater stringency in the authorization of funds, thereby limiting the scope for translating policy initiatives into action. Laws and regulations adopted to protect the environment, conserve natural resources and wildlife, and control pollution have been only partially enforced. Enforcement is hampered by shortage of both funds and personnel. In some countries regulations are at this juncture unenforceable, especially where long-run interests conflict with immediate needs. In many low-income areas, for example in Africa, resource management and land conservation goals ran counter to the immediate imperative of meeting the elementary needs of food, energy and shelter. The degradation of the environment on which long-term viability and development depend was thus not arrested but accelerated. Loss of arable land, forest and wildlife continues.

#### 1. Desertification

296. Headway made in the context of the Plan of Action to Combat Desertification 58/ has been limited. There is now better awareness in the countries most threatened, especially in the Sudano-Sahelian region. Progress has been made with assessing and monitoring desertification and in setting up research and training facilities. Where technology is capable of making a decisive difference, as in dune stabilization or desalination of topsoils, there has been visible advance. The overall record of reafforestation is poor, range-land management schemes have been slowed by implementation problems, while irrigation schemes have suffered from inadequate management. Little, if any, advance has been made against the biggest problems where usually the main obstacles have been of a

political and socio-cultural nature, combined with extreme poverty and pressure of population on local resources. The cost of a successful battle against further encroachments of the deserts on arable land is put at many times the amount hitherto mobilized in external contributions.

## 2. Water resources

297. With regard to water supply and sanitation, available information shows that progress in the preparation of definite plans and projects is uneven, although the launching of the International Drinking Water Supply and Sanitation Decade had contributed to an increased awareness at all levels of the importance of clean water and adequate sanitation. In most countries, there is an overriding need for the formulation of a basic and comprehensive water policy at the national level and the establishment of the related legal and institutional frameworks. Institutional weaknesses are hampering the preparation of master plans for individual river basins, the preparation of detailed project reports and many other essential tasks. Assessment of the environmental impact of water projects is still far from routine in project formulation. Action is required for the development of water resources to increase food production, expand the community water supply and sanitation facilities, raise industrial and hydropower output and improve inland transport services, as envisaged in the International Development Strategy. The requisite scale remains massive in terms of investment needs, manpower development, planning and policy formulation, investigation and assessment, and institutional and infrastructural requirements. Hopes for a sharp increase in funds from internal as well as external sources have not been realized.

298. Despite the limited contributions in those areas, in recent years greater attention has been given to the environment in bilateral aid programmes. The industrial countries, benefiting from their experience of dealing with the problem, have sought to give closer scrutiny to the environmental repercussions of the projects they finance. At the multilateral level, United Nations and other technical assistance activities have supported an expanding range of national and regional programmes. Since 1980, through the Committee of International Development Institutions on the Environment, the major multilateral financing institutions have also reviewed their policies annually in regard to the implementation of the Declaration of Environmental Policies and Procedures relating to Economic Development. 59/

299. The practical gains from the various measures to protect the environment that have been initiated in the first years of the Decade do not yet match the losses caused by earlier neglect. Nevertheless, where the institutional framework to protect the environment is being created, effective measures should be easier to implement once more resources can be made available. Rich countries need to assume a greater share of the financial burden of measures which, while often local in character, also contribute to safeguarding what is ultimately a common, global habitat.

M. Human settlements

300. The global economic crisis has had severe effects on housing conditions in the developing countries. The most affected has been families aspiring to own or occupy standard, fully-serviced dwellings. Their hopes have suffered a severe set-back, as a result of the convergence of a number of factors which have induced an acute drop in the construction of standard housing. These constraints, singly or in various combinations, include shortages in building loans and mortgage financing, scarcity and spiralling costs of imported building materials and components, lack of public funds to extend urban major services to potential new housing development sites, and a general reduction in effective demand resulting from declining real incomes. In some countries, existing homeowners are experiencing sharp increases in mortgage loan defaults and foreclosures. This has precipitated a liquidity crisis in institutions providing home finance. Recession has also adversely affected pension and social security funds whose assets often provide the major source of money for home financing. Increasingly, as a result, middle-class families are settling in unauthorized subdivisions and squatter areas.

301. For the urban and rural poor, primitive shelter and lack of the most basic amenities remain the normal condition. There has been some local improvement despite recession as the erection of new premises has not been contingent on the availability of mortgage financing, imported building materials and components, or the construction of new municipal trunk services. In unauthorized urban subdivisions and squatter settlements, the normal reaction to reduced household incomes has been to defer plans to improve dwellings which, in any case, are normally carried out on an incremental basis over time.

302. New trends are discernible in the human settlements programmes of most countries. First of all, they have generally been relegated to a lower place among national priorities in recent years as Governments struggle to overcome their economic problems. Secondly, the original focus on shelter and ancillary services has been broadened to encompass urban transport, solid-waste collection, employment generation, and other urban measures. Thirdly, human settlements programmes, many of which are internationally supported, are being increasingly aimed at secondary cities and towns in an effort to reduce migration and regional disparities between urban and rural areas. Such measures, however, have probably had less influence on reducing migration to the major urban centres than the deterrence of shrinking job markets. In the case of a few countries, there have been governmental attempts at returning unemployed city dwellers to the rural areas.

303. On the occasion of the International Drinking Water Supply and Sanitation Decade, and in light of the upcoming International Year of Shelter for the Homeless, the measures presented for human settlements in the International Development Strategy for the Third United Nations Development Decade could benefit from an increased emphasis on the need to provide a legal framework for low-cost water and sanitation technologies and building codes in connection with the efforts of households to maintain or improve their housing and of the homeless to obtain adequate shelter. Such measures cost Governments comparatively little and induce households to invest more of their own resources and efforts in improving their habitat, a not unimportant consideration in times of fiscal austerity.

N. Disaster relief

304. The Strategy calls for the international community to take measures to improve and strengthen arrangements to provide developing countries with adequate and timely assistance in matters of disaster relief.

305. In the past years, the notion of disaster requiring international action has progressively evolved to include not only natural disasters, but also a variety of emergency situations which are man-made, such as the consequences of a civil strife, and which represent a sudden disruption of the development process.

306. Since 1971, the co-ordination of international action in this domain has been entrusted to the United Nations Disaster Relief Co-ordinator. This role of co-ordination has been strengthened by recent decisions of the General Assembly. At the same time, steps have been taken by relevant United Nations organizations and specialized agencies to improve their capacity to respond to emergency situations. Formal emergency units have been established in several organizations.

307. During the period from April 1982 to March 1983, international contributions for disaster relief amounted approximately to \$400 million and reached 25 countries. Two countries affected by severe internal political problems received more than half of these contributions.

O. Social development

308. The reduction of poverty, in the context of progress in well-being for all and of a fair distribution of the benefits of development, is the first and primary objective assigned to social development in the Strategy.

309. Globally, for the developing world as a whole, the number of people exposed to extreme poverty, to hunger, starvation and destitution, might not have increased during the first part of this decade. Total world supplies of the major food commodities and growth in food production continued to keep pace with the increase in population. Population growth itself was less rapid than during the 1970s. A number of large and densely populated developing countries, notably in Asia, expanded their production and consumption, not only of food, and in spite of the world economic crisis. A few other signs suggest that the fight against extreme poverty is not without hope. In agriculture, as well as for the production of other basic goods and services, new and more efficient technologies are being progressively spread. Greater attention is being given to the benefits accruing to the poor in the design, implementation and evaluation of development projects at the national, bilateral and multilateral levels. Social policies address more realistically the needs of the poor as they are slowly but fundamentally changed by strategies such as the primary health care approach.

310. Yet, in many developing countries, the economic stagnation or recession of recent years aggravated in some areas by drought has worsened the extent of poverty. In Africa, per capita and sometimes even total food production fell below

the levels attained a decade ago. Forced to cut back on food imports by balance-of-payments pressure, a number of African countries lacked the means to provide for minimum food security. More than 20 sub-Saharan countries are currently facing acute food shortages. As a decline of the production and import of other essential goods was compounded by recurrent problems related to lack of infrastructure and deficiencies in the social and political organization of society, poverty became more dramatic in large parts of the African continent.

311. Poverty spread not only in Africa and in the least developed countries as a group, but also in developing regions which had experienced rapid growth, economic progress and social change during the last decade. The prevailing world recession has had the most direct and abrupt effect on the countries whose economies had been increasingly sustained by industrial expansion and strong export performance. There, and particularly in Latin America, the reversal from rapid growth to depression has come extremely quickly, bringing rapidly spreading misery in economies which had become complex and more integrated both internally and internationally. In such societies, several years of economic recession hurt not only the poor, but also those social groups which, in recent decades, had reached a certain level of affluence and were forces of social change. The current social situation in a number of developing countries evokes the social effects of the great depression of the 1930s in the then newly-industrialized countries of Europe and North America. Not only the poor are getting poorer, but part of the middle class is falling back into poverty.

312. Besides the goal of full employment by the year 2000, the Strategy calls for intensive efforts to increase the opportunities for productive employment. There was a decline of such opportunities in recent years and massive unemployment and underemployment, and the associated poverty, continued to characterize the developing world. In South-East Asia, reduced export payment for manufactures slowed employment growth; there was even a decline of employment levels in certain countries. In the largest Asian countries, the long-term effects on employment of technological changes remained uncertain. In Africa, opportunities of gainful employment in both the modern sector and the rural economy have been shrinking rapidly. Critical shortages of skilled manpower continued to coexist with low productivity and low levels of income from work in the rural areas and in the urban informal sector. Open unemployment has also increased in this region. In the Latin American region, growth of demand for labour has fallen below the growth of the economically active population and there has been a very sharp rise in open unemployment in the urban sector. In some large Latin American countries, employment in the non-agricultural sector has been declining in absolute terms since 1980, after two decades of very rapid growth and job creation. For the developing world as a whole, and for the international community, small steps towards the objective of full employment will represent a difficult challenge during this decade and beyond. The labour force will continue to expand at an annual rate close to 2.5 per cent until the recent decline of fertility lessens this pressure. In addition to its objective effects on employment, rapid economic growth combined with social mobility created in a number of developing countries a climate of hope and dynamism that lessened the social and political consequences of poverty, unemployment and underemployment. A prolonged economic stagnation would have the opposite effects.

313. Population objectives and policies recommended in the Strategy are those of the World Population Plan of Action of 1974, 60/ which will also be reviewed and appraised in 1984. As noted earlier, the annual rate of growth of the population of developing countries declined in recent years, from 2.5 per cent at the beginning of the 1970s to a current 2.4 per cent. A much more pronounced decline at the world level during the same period is due to the demographic weight of China, which experienced a spectacular change in its growth rate from 2.4 to 1.2 per cent. It is estimated that the crude birth rate in developing countries, or number of births per 1,000 population, dropped from 39 in 1974 to 31 in 1984, and the crude death rate from 14 to 11. Life expectancy at birth is estimated at 56.6 years, as compared with 52.7 a decade ago and with the objective of 60 years as a minimum by the year 2000 as endorsed in the Strategy. For infant mortality, figures are 106.4 per 1,000 in 1974, 91.5 at present and 50 as an objective for the year 2000.

314. Such averages are the results of very contrasted situations in different developing regions and countries. In Africa, the annual rate of growth of the population is 3.0 per cent, in Latin America 2.3 per cent and South Asia 2.2 per cent. The crude birth rate is 46.4 per 1,000 and the crude death rate is 16.5 per 1,000 in Africa, 31.8 and 8.2 per cent in Latin America, 34.9 and 12.9 per cent in South Asia. Life expectancy at birth is 49.7 years in Africa, 64.1 in Latin America, 53.6 in South Asia and 68.0 in East Asia. Most African countries remain characterized by high mortality and high fertility, with a level of urbanization estimated at 31 per cent. A number of Latin American countries, and some Asian countries have demographic structures and trends comparable to those of the industrialized countries.

315. The Strategy indicates that countries will take the measures they deem necessary concerning fertility levels in full respect of the right of parents to determine in a free, informed and responsible manner the number and spacing of their children. The trend towards a liberalization of laws and regulations restricting directly the access to various methods of fertility regulation has continued. At present, such legal barriers exist in less than 10 developing countries. Governmental support for family planning programmes has been steadily increasing. Approximately 60 per cent of developing countries have such officially-supported programmes which are generally introduced to respond to a human right and to a strong demand, rather than for achieving purely demographic objectives.

316. An acceptable level of health for all by the year 2000 is the principal goal of the Strategy which is based on the fundamental reorientation of health policies initiated in 1978 by the International Conference on Primary Health Care. 61/

317. A majority of developing countries have in recent years reviewed their health policies along the lines of the primary health care approach and adopted measures to deal more effectively with the problem of high mortality and high morbidity associated with the prevalence of infectious and parasitic diseases in communities deprived of proper sanitation and water supply and often suffering from malnutrition. A particular emphasis is placed on maternal and child health, on the

development of health centres at the community level, on the appropriate training of health personnel and on the improvement of the immediate living environment. Furthermore, emphasis is laid on the development of an adequate managerial process for health system development. These efforts are supported by bilateral donors and international programmes of aid and technical co-operation.

318. Community-based efforts to promote and improve health are increasingly involving the people themselves and their organizations in different activities. Many improvements are only possible through joint action involving different sectors, such as education, agriculture, community development or public works, together with the health services. Assessment of technical alternatives is an essential part of appropriate development activities also for health. The Expanded Programme of Immunization, launched in 1974 by the World Health Organization, gives priority to immunization against six main preventable communicable diseases, that is, diphtheria, whooping cough, tetanus, poliomyelitis, measles and tuberculosis, which are major causes of morbidity and mortality of children in large parts of the developing world. Most countries have become active in this campaign, but the goal of reaching all children of the world by 1990 will not be achieved if national and international efforts are not renewed. In Africa, where one million children die annually from the diseases included in the programme, WHO estimates that only 31 per cent of children under one year are receiving immunization against tuberculosis, 27 per cent against measles and 19 per cent against poliomyelitis. Figures are even lower in South-East Asia. Another world-wide programme, the Special Programme for Research and Training in Tropical Diseases, aims at harnessing and developing means for controlling six main tropical diseases which are still widespread in developing countries. The related problem of diarrhoeal diseases is serious and a leading cause of mortality and morbidity among infants and young children in developing countries. A major programme in the context of primary health care aims to strengthen measures of control and prevention of these diseases. The control methods at present available are either inadequate or too costly and cumbersome for widespread use. Research has been largely neglected. For some of these diseases, notably malaria, an increase in their incidence has been recorded over the last decade. The essential goal of safe drinking-water and hygienic conditions for all by the year 1990 will need determined efforts to accelerate the current pace of progress.

319. Efforts to identify priority areas for action and devise cost-effective techniques to control the most prevalent and harmful diseases have led to the formulation of the rational drug policies to ensure supply of essential drugs capable of preventing, curing or alleviating a large number of human ailments. Some 70 developing countries have adopted such lists of essential drugs on the basis of a WHO model list. But very few developing countries have pharmaceutical industries and at the global level. Considerable efforts are needed to promote harmonious actions from producers and consumers to support primary health care strategies.

320. Progress during this decade for a better health situation in developing countries will require not only further steps in the implementation of the conceptual, institutional and technical revolution which has marked the approach to

this essential aspect of human welfare for some years, but also the mobilization and redistribution of greater financial resources. The current economic crisis has forced many developing countries with already minimal health budgets to cut their social programmes, including allocations to the health sector, and concerted international support in this regard is essential.

321. Education for all and the development of human resources are seen in the Strategy as objectives in themselves and as essential instruments to enhance the capacity of society for economic and social progress.

322. The gross enrolment ratio for primary education went from 60 per cent in 1960 to 86 per cent in 1980 and should attain 88 per cent in 1985. The same gross enrolment ratios for secondary education are estimated at 13, 31 and 40 per cent. Students at the third level of education represented 2 per cent in 1960 and 7 per cent in 1980 of the age-group and this ratio is also expected to have increased by a few percentage points by 1985. This quantitative aspect of education in developing countries is in itself a major challenge. Given current rates of population growth, and in order simply to maintain by the year 2000 the primary school ratios attained in 1980, the developing countries as a group would have to increase their primary school enrolment by some 30 to 40 per cent. Lower enrolment of females, especially at the secondary and third levels of education, is a related issue. In Africa and Asia, there are approximately 40 girls per 100 pupils in secondary schools and 30 per 100 students in post-secondary institutions. Parity has been reached in most Latin American countries.

323. In absolute terms, the number of illiterates continued to grow in the developing world during the first part of the 1980s. Most of the children who do not enter primary education and a large number of those who drop out early become illiterate adults. Drop-out ratios have reached an alarming level in a large number of developing countries, especially in sub-Saharan Africa and South Asia, and a substantial proportion of children are unable to read and write even after going to primary school for four or five years. This qualitative problem is mainly the consequence of the pressure to achieve a universal primary-school enrolment that many developing countries had to face without the necessary financial resources for teachers, facilities and instructional materials. While it is generally recognized that, at a minimum, expenditures on teaching tools should account for approximately 10 per cent of recurrent expenditures on education, 95 per cent of such expenditures represented teachers' salaries in developing countries at the beginning of this decade. This leads to situations where 10 pupils have to share a textbook. If present trends continue, it is likely that only half of the enrolled children will benefit from a complete and productive cycle of primary education by the end of this decade.

324. As in the health sector, and in a closely related way, current efforts to improve the quality of education and training are hampered in many developing countries by the pressure of competing demands on limited and sometimes declining resources.



325. The Strategy calls for appropriate measures that would generate the profound social and economic changes required to eliminate the structural imbalances which compound women's disadvantages. The status of women and their participation as agents and beneficiaries of development should be improved along the lines of the World Plan of Action 62/ and the Programme of Action 63/ adopted by the international community in 1975 and 1980.

326. At the level of laws and regulations, the status of women has continued to improve. Many developing countries have taken legislative steps to ensure equality for women in civil and political rights, education, employment and other domains. The Convention on the Elimination of All Forms of Discrimination against Women (General Assembly resolution 34/180, annex) entered into force in 1981 and, by the end of 1983, had been ratified by 53 States. This instrument, if implemented, would radically change the status and situation of women in all spheres of society. Under article 5 of the Convention, for instance, States Parties agree to modify social and cultural patterns of conduct of men and women with a view to overcome prejudices and customary practices that regard women inferior to men and that perpetuate discrimination.

327. Given the growing awareness of women of their inferior status, and given the pressure they exert at various levels of the social fabric, such laws and regulations are likely to generate real changes in the situation of women during this decade and beyond. In many societies, however, women are still confronted with the double disadvantage of being second-rate citizens and private persons with multiple tasks and responsibilities. In a period of economic stagnation or regression, such a situation leads to increased inequalities between men and women and between women of different income groups and social classes. Fewer employment opportunities, fewer basic services, less availability of essential goods for the maintenance of the family, greater difficulties for the education of children, all such daily aspects of life in a poor or economically stagnant society affect particularly women. Their participation in the development process has yet to improve their living conditions.

328. The social development of many developing countries has been hampered by adverse economic conditions. At the same time, the need for a re-examination of a number of policy orientations has appeared with greater clarity. There is room for actions and programmes which are more beneficial to the people concerned without being very costly. Social development is often hampered by attitudes and by organizational bottlenecks which could be modified and removed. Even in a context of renewed economic growth, such actions from national Governments will remain crucial for social development during this decade.

Notes

1/ Morgan Guaranty Trust Co., World Financial Markets (June 1983).

2/ World Bank, World Development Report 1983 (Washington, D.C.), p. 34.

3/ Unsurprisingly, the level of saving generally rose more in the faster-growing, higher-income countries than in the slower-growing, lower-income countries. Thus, in the newly industrializing countries as a group, the share of saving in gross national product rose from 19 per cent in 1970 to 25 per cent in 1980, while in the least developed countries it increased only from 5 to 6 per cent.

4/ United Nations, Treaty Series, vol. 930, No. 814, p. 166.

5/ GATT, "Recent trends in production and trade in textiles and clothing" (COM.TEX/W/135, 13 December 1982).

6/ As at September 1983, only 12 developing countries had accepted at least one of the codes.

7/ For similar recommendations on the safeguards clause and other measures, see C. Fred Bergsten and William R. Cline, Trade Policy in the 1980s, Policy Analyses in International Economics, No. 3 (Washington, D.C., Institute for International Economics, November 1982).

8/ The United Nations Negotiating Conference on the Common Fund under the Integrated Programme for Commodities adopted, on 27 June 1980, the Agreement establishing the Common Fund for Commodities (United Nations publication, Sales No. E.81.II.D.8 and Corr.1).

9/ For a recent analysis of the situation in Africa, see World Bank, Sub-Saharan Africa: Progress Report on Development Prospects and Programs (Washington, D.C., 1983).

10/ United Nations World Food Council, Ninth Ministerial Session, "Policy dialogue and co-operation to meet food objectives in Africa, Report by the Executive Director" (WFC/1983/3, 16 February 1983), p. 1.

11/ While there was some increase in commitments to farming inputs and rural infrastructure in 1981 over 1980, on the "broad definition" official commitments in 1982 also appear to have decreased. See Food and Agriculture Organization, "The State of Food and Agriculture, 1983" (C 83/2), pp. 12 and 13.

12/ World Bank, Annual Report, 1983 (Washington, D.C., 1983), p. 134. On the other hand, the Asian Development Bank remains committed to an expansion of lending to agricultural and rural activities. See Asian Development Bank, Annual Report, 1982 (Manila, 1983), pp. 37-40.

13/ There is some evidence that the global recession has had a particularly negative impact on the nutritional levels of children in the poorest countries. See UNICEF, "The Impact of World Recession on Children", State of the World's Children 1984 (New York, Oxford University Press, 1984), chap. IV.

Notes (continued)

14/ Food and Agriculture Organization of the United Nations, Commodity Review and Outlook 1982-1983, Economic and Social Development Series No. 25 (Rome, FAO, 1983), pp. 116-142.

15/ United Nations World Food Council, Ninth Ministerial Session, "Food security issues for World Food Council consideration, Report by the Executive Director" (WFC/1983/6, February 1983), pp. 6-7.

16/ Committee on World Food Security, "Review of the implementation of the Plan of Action on World Food Security" (CFS: 88/3, March 1983).

17/ See W. H. Bolin and J. Del Canto, "LDC debt: beyond crisis management", World Affairs, Summer 1983.

18/ Transnational Corporations in World Development: Third Survey (United Nations publication, Sales No. E.83.II.A.14), pp. 9-11.

19/ For the Soviet Union, the sources of these figures are (a) an official communication (E/1982/86) to the President of the United Nations Economic and Social Council from the Permanent Representative of the Union of Soviet Socialist Republics, in which he stated that the Soviet Union had provided about 30 billion roubles (almost \$44 billion at official exchange rates) in economic assistance to developing countries during 1976-1980, and (b) a communication to the Secretary-General of UNCTAD from the Soviet delegation to the sixth session of UNCTAD, in which it was stated that the "Soviet Union's net economic aid to developing countries amounted to 8.1 billion roubles" (about \$11.5 billion at official exchange rates) in 1981. For the source for Bulgaria, see TD/304; for Czechoslovakia, see TD/301; for the German Democratic Republic, see A/C.2/37/5.

20/ France has indicated its intention to reach the 0.7 per cent target by 1988 (this excludes assistance to overseas dependencies). Belgium's policy is to raise aid appropriations to the 0.7 per cent level. Austria has stated its intention to reach the target by the end of the decade. The Government of Canada has committed itself to an interim target of 0.6 per cent by the fiscal year 1985/1986 and to make its best effort to reach 0.7 per cent by 1990. Finland has indicated its determination to achieve further rapid growth to reach the target by the end of the decade. Italy has also stated that it will achieve the target by the end of the decade and has set an interim target for 1985 of attaining the average ODA/GNP ratio of EEC members.

21/ The country classification is that of OECD and is used here only for illustrative purposes. The newly industrializing countries are excluded. See Organisation for Economic Co-operation and Development, Development Co-operation, annual reviews.

22/ See World Bank, IDA in Retrospect (Washington, D.C., 1982).

Notes (continued)

23/ "Sectoral performance and development prospects: projections for the balance of the Third United Nations Development Decade". Report of the Inter-Agency Technical Working Group of the ACC Task Force on Long-Term Development Objectives, October 1983. The simulation exercise was based on the Fugui Model maintained at Soka University in Japan.

24/ Among the important contributions, see, for example, Commonwealth Secretariat, Towards a New Bretton Woods, Report by a Commonwealth Study Group, London (Marlborough House, 27 July 1983); Intergovernmental Group of Twenty-four on International Monetary Affairs, "Report of the Task Force on the Reform of the International Monetary and Financial System", Revised Program of Action, Rev. 1, (Washington, D.C., 23 September 1983); Johannes Witteveen, "Developing a new international monetary system: a long-term view", Per Jacobsson Lecture, George Washington University, 25 September 1983.

25/ In this regard, it is important to note that the Committee for Development Planning, at its nineteenth session (18-27 April 1983), proposed the establishment of an ad hoc group under the auspices of the United Nations to consider initiatives and the modalities for possible negotiations. See Overcoming Economic Disorder - International Action for Recovery and Development (United Nations publication, Sales No. E.83.II.C.2), para. 94.

26/ For a discussion of issues relating to CFF, see World Economic Survey, 1983 (United Nations publication, Sales No. E.83.II.C.1), pp. 36-37.

27/ The UNCTAD secretariat has recently made similar proposals. See "International financial and monetary issues", Report by the UNCTAD secretariat (TD/275, 26 January 1983), p. 7.

28/ Operational activities for development comprise the programmes of UNDP, UNICEF, UNFPA and the other funds and programmes covered by the annual United Nations Pledging Conference for Development Activities; the technical co-operation and related operational activities of the specialized agencies and other organizations of the system; and the food aid provided by WFP.

29/ In 1983, the Economic and Social Council and the General Assembly conducted the second of their triennial policy reviews of operational activities, on the basis of a report (A/38/258 and Add.1) submitted by the Director-General, culminating in the adoption by the General Assembly of resolution 38/171.

30/ Report of the United Nations Conference on Science and Technology for Development, Vienna, 20-31 August 1979 (Sales No. E.79.I.21 and corrigenda), chap. VII.

31/ United Nations, Treaty Series, vol. 828, No. 11846, p. 3.

Notes (continued)

32/ Report of the United Nations Conference on New and Renewable Sources of Energy, Nairobi, 10 to 21 August 1981 (United Nations publication, Sales No. E.81.I.24), chap. I, sect. A.

33/ See World Bank, Annual Report, 1983.

34/ Economic Commission for Africa, "United Nations Transport and Communications Decade in Africa (1978-1988), Evaluation of the Programme of the First Phase of the Decade (1980-1983)" (DEC/TRANSCOM/CM/III/1, 1 December 1982).

35/ Economic Commission for Africa, Survey of Economic and Social Conditions in Africa, 1981-1982 (E/ECA/CM.9/5).

36/ UNCTAD, "Review of maritime transport, 1981" (TD/B/C.4/251) and "... 1982" (TD/B/C.4/285). A large part (1.7 percentage points) of the 2.5 percentage point increase in 1981 is attributable to classifying Singapore as a developing country for this purpose. The country was formerly classified as an "open registry country".

37/ See United Nations Conference of Plenipotentiaries on a Code of Conduct for Liner Conferences, Geneva, 12 November to 15 December 1973 (United Nations publication, Sales No. 75.II.D.12), vol. II.

38/ See United Nations Conference on a Convention on International Multimodal Transport of Goods, Final Act and Convention, Geneva, 12-30 November 1979 (first part of the session) and from 8 to 24 May 1980 (resumed session) (United Nations publication, Sales No. E.81.II.D.7), vol. I.

39/ United Nations, Treaty Series, vol. 15, No. 102, p. 295.

40/ Proceedings of the United Nations Conference on Trade and Development, Fifth Session, vol. I, Report and Annexes (United Nations publication, Sales No. E.79.II.D.14), annex VI.

41/ See A/S-11/14, annex I.

42/ See A/36/333 and Corr.1, para. 83 (c) (ii).

43/ Supplement to World Economic Survey, 1983 (United Nations publication, Sales No. E.83.II.C.3).

44/ Office of the Chairman of the Group of 77 in New York, The South Bank - The Bank of Developing Countries, Ljubljana, 1983.

45/ For detailed information on these bilateral and multilateral activities, see TCDC/3/3.

Notes (continued)

46/ Report of the United Nations Conference on Technical Co-operation among Developing Countries, Buenos Aires, 30 August-12 September 1978 (United Nations publication, Sales No. E.78.II.A.11 and corrigenda), chap. I.

47/ Report of the United Nations Conference on the Least Developed Countries, Paris, 1 to 14 September 1981 (United Nations publication, Sales No. E.82.I.8), part one, sect. A.

48/ The estimates of the secretariat of UNCTAD are based on information from the secretariat of OECD.

49/ Corresponding to a doubling, in real terms, of the 1976-1980 average annual level of ODA.

50/ The estimates of the secretariat of UNCTAD are based on information from the secretariat of OECD.

51/ For details of attitudes towards the problems of these countries and international action in their favour, see "Progress in the implementation of specific action in favour of island developing countries, Report of the Secretary-General" (A/37/196 and Corr.1).

52/ A/AC.176/7.

53/ For details of international action, see United Nations Conference on Trade and Development, "Review of progress in the implementation of specific action related to the particular needs and problems of land-locked developing countries" (TD/B/916 and Add.1 and 2).

54/ Ibid.

55/ World Conservation Strategy: Living Resource Conservation for Sustainable Development, prepared by the International Union for Conservation of Nature and Natural Resources, with the advice, co-operation and financial assistance of the United Nations Environment Programme and the World Wildlife Fund and in collaboration with the Food and Agriculture Organization of the United Nations and the United Nations Educational, Scientific and Cultural Organization, 1980.

56/ United Nations publication, Sales No. E.83.V.5, p. 1.

57/ United Nations, Treaty Series, vol. 993, No. 14537, p. 243.

58/ A/CONF.74/46, chap. I.

59/ United Nations Environment Programme, Industry and Environment, Special Issue No. 1, 1980, p. 20.

Notes (continued)

60/ Report of the United Nations World Population Conference, 1974 (United Nations publication, Sales No. E.75.XIII.3), chap. I.

61/ See Report of the International Conference on Primary Health Care, Alma-Ata, USSR, 6-12 September 1978 (Geneva, World Health Organization, 1978).

62/ Report of the World Conference of the International Women's Year, Mexico City, 19 June-2 July 1975 (United Nations publication, Sales No. E.76.IV.1), chap. II, sect. A.

63/ Report of the World Conference of the United Nations Decade for Women: Equality, Development and Peace, Copenhagen, 14-30 July 1980 (United Nations publication, Sales No. E.80.IV.3), chap. I, sect. A.

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