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DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION: IMMEDIATE  
MEASURES IN FAVOUR OF THE DEVELOPING COUNTRIES

Report of the Secretary-General

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## I. INTRODUCTION

### Immediate measures in favour of the developing countries

1. Developing countries are emerging from the recent world economic recession in precarious condition. While economic growth gradually strengthens in the developed countries, growth impulses are spreading to developing countries unevenly. This is largely because most developing countries still labour under severe external constraints which are unlikely to disappear as the recovery in the developed countries matures. Those external constraints have forced developing countries to reduce imports by dampening aggregate demand and by other more direct means. 1/
2. While longer-term prospects remain uncertain, economic activity in the developed countries is expected to remain comparatively strong in the next 12 to 18 months. However, a constellation of factors is working against a satisfactory reactivation of growth in most of the developing world. Private capital flows, which declined precipitously when the debt crisis erupted in mid-1982, are not expected to regain previous levels for some time. Increases in export earnings are proving insufficient to provide for adequate servicing of foreign debts and for significant increases in developmental imports. Although the terms of trade of the energy-importing countries have improved since 1982, recovery in commodity prices has been modest so far, especially as compared to their steep previous decline. Further price gains are unlikely to be large. As regards the energy-exporting countries, a further worsening in their terms of trade appears to be in store in the next 18 months. Reflecting the unevenness of the recovery, and in particular the weakness of economic activity in much of Europe, the volume of exports of developing countries may not expand at a sufficiently rapid rate to help to ease balance-of-payments pressures significantly. To complicate matters for countries with large external debts, interest rates have begun to increase again from their already high levels.
3. As discussed in World Economic Survey 1984, prospects for the developing countries of sub-Saharan Africa are of particular concern. 2/ The severe drought that is affecting most of these countries is not only taking a large toll in human suffering but also requires that they divert an increasingly large share of their scarce foreign exchange receipts to the importation of food.
4. The current international context is such that, in the absence of decisive action by the international community, the growth targets of the International Development Strategy for the Third United Nations Development Decade, as stated in the annex to General Assembly resolution 35/56 of 20 December 1980, are unlikely to be achieved. No doubt, part of the divergence between the aspirations of the International Development Strategy and the meagre results achieved so far arises from the unfavourable international environment that developing countries have had to face in the 1980s. But the unsatisfactory performance of developing countries has also been related to the fact that the policies outlined in the International Development Strategy have remained largely unrealized.
5. A programme of immediate measures in favour of developing countries has been called for in General Assembly resolution 38/200 of 20 December 1984. Most of the

measures presented in the present report, which was prepared in response to that resolution, are already under discussion within the United Nations system. 3/ They should be considered as a set of actions urgently required to reactivate economic growth in developing countries under current conditions and as a first step towards a more effective implementation of the International Development Strategy.

6. The General Assembly singled out five areas where urgent progress was needed:

(a) Food and agriculture, including special food aid measures as required for seriously affected food-deficit countries in Africa;

(b) Money and finance, transfer of resources, including official development assistance, indebtedness and multilateral development activities;

(c) Trade and raw materials, including access to markets for the exports of developing countries, and urgent appropriate actions in the area of commodities;

(d) Development of the energy resources of the developing countries;

(e) Implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries, adopted by the United Nations Conference on the Least Developed Countries, held in Paris from 1 to 14 September 1981. 4/

7. Since the adoption of resolution 38/200, some measures have been taken, but they were few in number and inadequate to cope with the seriousness of the situation in developing countries. Meanwhile, the depth of the crisis has come to be widely recognized in most international forums. There is a growing perception that, in the absence of decisive national and international action, economic stagnation, and in some cases even retrogression, may continue to affect a large number of developing countries for most of the remainder of the decade.

## II. FOOD AND AGRICULTURE: INCLUDING SPECIAL FOOD AID MEASURES REQUIRED FOR SERIOUSLY AFFECTED FOOD-DEFICIT COUNTRIES IN AFRICA

8. The critical economic situation being faced by many African countries south of the Sahara continues to be a major concern of the United Nations system as a whole. The initiative being pursued by the Secretary-General in this regard is aimed at sensitizing the international community about the gravity of the situation, improving the effectiveness of international efforts through concerted action, and mobilizing additional and more concessional resources.

9. While the economic and social crisis affects all areas of national activity, food remains the most pressing area of concern. Since April 1983, a special Emergency Task Force, jointly sponsored by the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP), has reviewed and monitored the food situation in the continent, particularly developments in the 24 African countries first identified by the Task Force.

10. Appeals for emergency cereal aid to these countries, launched by FAO in May 1983, have been answered by 34 countries and organizations, including WFP, which has allocated almost half of its total emergency assistance in 1983 to African drought-affected countries. As a result, a total of 2.4 million tons of cereal aid had been pledged by mid-April 1984, an amount exceeding by over 50 per cent the total cereal aid delivered to these countries during the previous year.
11. However, current food aid requirements which still need to be covered by additional pledges are estimated at 0.5 million tons, including 190,000 tons for southern African countries whose marketing year has ended. Moreover, only 70 per cent of the known pledges of food aid to the affected countries had been delivered as at July 1984. Delayed food deliveries are creating particularly critical problems in many eastern and southern African countries, whose food stocks have been virtually exhausted by two consecutive years of drought. Emergency assistance is also required in such areas as water, transport and distribution, health, nutrition, energy and agricultural inputs for the next planting season. On the basis of the partial information available at present, some \$225 million is urgently needed to cover emergency requirements in those areas.
12. The estimated 3.2 million tons of cereal aid required by African drought-affected countries, as well as the amount pledged so far, relate only to the needs of those countries during the 1983/84 marketing year. Further food aid assistance is likely to be required in 1984/85, in view of the present poor prospects for the next crop. Inadequate rains during the first quarter of 1984 in much of East Africa and delayed rainfall in many southern African countries have affected pastures and cereal crops. The effects of such adverse weather conditions are being compounded by shortages of seeds and fertilizers associated to the need for multiple plantings during the past drought, and present forecasts point to an only marginal improvement in the 1984/85 crop over that of last year.
13. Besides the immediate need for food aid, financial assistance complementary to ongoing domestic efforts is required for investment in food production, the establishment of domestic food reserves, foodcrop rehabilitation, animal feed supply and disease control, post-emergency measures for the agricultural sector, and supplemental transport and distribution, particularly in land-locked countries. Rehabilitation of food and livestock production has received support from funds made available to the United Nations Development Programme (UNDP) as a result of the liquidation of the United Nations Emergency Operations Trust Fund. However, the funds available for these purposes remain far below the minimum requirements. In particular, funding for implementation of such preventive measures as the establishment and maintenance of reserve cereal and seed stocks is inadequate to forestall possible crisis situations in the near future.
14. Recent efforts undertaken by African countries themselves to improve their food supplies in the longer term are encouraging. More than 30 countries in the region are now engaged in the formulation of food strategies, including a re-examination of pricing, credit and other policies that have hindered greater food self-sufficiency in the past. The development of food strategies was recommended by the World Food Council in 1979. They are being carried out with

technical and financial assistance provided by the World Bank, FAO and other international agencies. The co-ordination of external assistance and national policy reforms embodied in these food strategies is likely to contribute to lessening whatever adverse side effects traditional types of external food aid might have on domestic food production.

15. As prescribed under the reformulated and expanded concept of food security being developed by FAO, action at the country level, as the indispensable basis for food security, is to be complemented by regional and global efforts as well as by improvements in the overall policy environment, aimed at removing deep-rooted structural obstacles to adequate production and effective distribution of foodstuffs.

### III. MONEY AND FINANCE, TRANSFER OF RESOURCES INCLUDING OFFICIAL DEVELOPMENT ASSISTANCE, INDEBTEDNESS AND MULTILATERAL DEVELOPMENT ACTIVITIES

16. In most of the developing world, the momentum of development can be regained only if balance-of-payments pressures and external liquidity constraints are significantly eased. To a large extent, those difficulties resulted from the sudden drying up of private capital flows and from the very inadequate expansion of official flows to compensate for the decline of the former. Therefore, measures to assure an adequate transfer of resources to developing countries remain a priority issue. In addition, the serious shortage of international liquidity that developing countries are facing calls for concrete measures in the international monetary area, some of which are already under discussion in the International Monetary Fund and in other forums.

17. Within the area of money and finance, particular importance attaches to immediate action in the following respects: increasing the provision of official development assistance (ODA), particularly to the low-income developing countries; improving the ability of the multilateral institutions to provide additional financial resources to developing countries; finding effective solutions to the debt problem; and improving the external liquidity of developing countries through an allocation of special drawing rights (SDRs) and other immediate actions.

#### A. Official development assistance

18. At a time of increasing needs, ODA was virtually stagnated. Although some countries have already met the targets of the International Development Strategy as regards ODA, or are close to them, ODA from a number of the largest donors among the developed market economies is still well below the agreed international targets. It is important that those countries, as well as other donors who have not yet met the ODA target of 0.7 per cent of their gross national product should move swiftly towards it. This would provide a significant amount of additional external financing, particularly to those lower-income countries that depend heavily on ODA for their developmental imports.

19. Recent trends in multilateral development co-operation are deeply disquieting. Difficulties in raising financing for the various institutions disbursing multilateral concessional flows imply that future disbursements are likely to decline in real terms, and even in nominal terms in some cases. This is clearly in evidence in recent funding agreements for the International Fund for Agricultural Development and for the World Food Programme. The International Development Association (IDA), an affiliate of the World Bank, is the single most important institution providing multilateral concessional assistance. Donors have agreed that the delayed seventh replenishment of IDA should be at a level of \$9 billion for three years (beginning in July 1984), in contrast to the initially agreed \$12 billion for three years (and later extended to a fourth year) under the sixth replenishment. The management of IDA had originally put forward a proposal for a funding level of \$16 billion, and donors other than the United States had expressed strong support for a \$12 billion replenishment (equal to the originally agreed sixth replenishment). However, the United States decided to contribute only \$750 million annually and not to take up more than 25 per cent of the total. As a result of the failure to agree on an increase in funding relative to the sixth replenishment and of the admission of China to IDA, disbursements to the most distressed member countries, most of which are in sub-Saharan Africa, will have to decline. 5/

20. It is for this reason that the World Bank has taken up with donors the possibility of establishing a supplementary fund aimed at recapturing, for the benefit of the poorest countries, the resources that all donors other than the United States would have contributed to IDA under a larger replenishment but which were withheld because of burden-sharing considerations. Early agreement on the supplementary fund would be an important step forward. In addition, all donor countries should make efforts to enlarge their participation in IDA as a matter of priority.

#### B. Non-concessional flows from the multilateral institutions

21. In the current international environment, characterized by a much reduced presence of the private banks in providing external financing to developing countries, a substantially enhanced participation by the multilateral financial institutions is of the utmost importance. Recently, the World Bank and the regional development banks have adopted measures to alleviate the payments difficulties of borrowing countries. For example, they have increased their share of total project financing and accelerated the disbursement of funds. The World Bank, as part of its special assistance programme, has also sought to expand its structural adjustment lending and programme lending in support of sectoral adjustment.

22. The impact of these departures from past practice will depend on the ability of the World Bank to increase its funding substantially. The selective capital increase of the World Bank that has recently been approved (about \$8.4 billion) is a step in this direction. Other ways of increasing the resources of the World Bank and of the other multilateral institutions (e.g., general capital increases or changes in their gearing ratios) should continue to be explored as a matter of urgency. It should be noted that none of the changes under consideration are likely to lead to substantial burdens on the taxpayers of the developed countries.

### C. The debt problem

23. Effective and lasting solutions to the problems of the heavily indebted developing countries must be found if these countries are to reactivate their economies and if the international banking community is to recover its confidence in developing country borrowers. So far, solutions to crises in individual countries have been of an ad hoc nature and, by and large, have tended to postpone the problem. Interest rates and related charges on rescheduled debts have been unusually high, and reschedulings have tended to be for relatively short periods.

24. A comprehensive solution to the twin problem of high interest rates and short maturities is clearly needed. Without a significant decline in interest rates, lasting solutions to the debt problem will remain elusive. Many debtors have been able to generate unprecedentedly large trade surpluses, mainly by compressing imports. However, high interest charges have absorbed most, and in many cases all, of these surpluses. Therefore, even strenuous adjustment efforts have not yielded a significant decline in debt levels, and in a large number of cases external debts have continued to increase. Indeed, the increase in the level of international interest rates since the beginning of this year, has added roughly \$8 billion to the debt service payments of the capital-importing developing countries. This additional interest payment, equivalent to about 2 per cent of their export earnings, will certainly accentuate the current economic difficulties of those countries. In particular, these difficulties will be severe for the more heavily indebted countries whose interest payments usually absorb more than one third of their export earnings.

25. Recently some proposals have been put forward to deal with high interest rates and their consequences for debtor countries. Under one such plan, if market interest rates were to exceed a previously agreed cap, the resulting payments would be capitalized. It has also been suggested that banks lower the spreads they charge on loans to developing countries and eliminate rescheduling fees. A complementary approach would be for the IMF to make available low-conditionality financing, akin to that provided through the Compensatory Financing Facility, to those countries whose external payments come under unexpected pressures due to increases in international interest rates.

26. These and other proposals to lower the interest cost of external borrowing must be urgently examined. Whatever the techniques that are eventually used to bring down interest rates, it must be clearly understood by all concerned that the current levels of interest rates are simply not sustainable and that they will inevitably lead to an exacerbation of the debt problem and to renewed threats to the stability of the international financial system. While ways can be found to temporarily hold interest rates charged to developing country borrowers below market levels, a lasting reduction in the interest burden will require a decisive downtrend in market rates themselves. And this can only be accomplished by a more appropriate set of economic policies in the major capital market centres.

27. The other element in the debt problem is the bunching of maturities. A large share of the debt to private banks is made up of short-term loans and medium-term borrowings that are now maturing. Up to the present time, debt-servicing



difficulties in individual countries have been tackled on a case-by-case basis. Although there have been instances of multi-year arrangements, these are still infrequent. Therefore, it is essential to devise a sound overall framework to transform maturing debt into long-term debt instruments. Participation by the World Bank and the IMF could make an important contribution in this respect. Several proposals have already been made. 6/ Action in this respect would be an important step towards easing the payments problems of the indebted countries and would help to alleviate the strains on the international financial system.

28. Debt-servicing payments in relation to export earnings have reached unsustainable levels in many countries. As a result, these countries have had to effect deep cut-backs in real imports. In order to permit the heavily indebted countries to resume import levels that would allow for positive economic growth, recent proposals to limit the share of export earnings going to debt repayments in any given year could also be seriously considered.

D. An allocation of special drawing rights and other action in the international monetary field

29. In spite of the evident international liquidity problems of most developing countries, as of yet it has not been possible to agree on an allocation of SDRs during the fourth basic period. A prompt and substantial allocation would help rebuild the depleted reserve levels of the capital-importing developing countries without requiring them to achieve yet larger current account surpluses or forcing the international commercial banks to increase their involuntary lending. 7/ Most members of the Interim Committee are now in favour of an allocation. 8/ It should be noted that an allocation of SDRs is unlikely to be inflationary. In contrast to other forms of reserve accumulation, SDR allocations do not necessarily affect the monetary base, since they increase the international reserves held by central banks without any counterpart increases in the money assets of the private sector. 9/

30. The combination of increases in quotas under the Eighth General Review of Quotas and the recently reduced drawing limits as multiples of quota has left actual access to Fund resources for most developing countries practically unchanged, at a time when balance-of-payments financing is of crucial importance. Therefore, urgent consideration should be given to an advancement of the Ninth General Review of Quotas, scheduled for 1986. Concurrently, conditionality requirements, which have in effect become more stringent in recent years, could be reviewed to include supply-side adjustments that require substantial investment expenditures and so as to take into account the current state of the world economy and its impact on borrowing countries. Indeed, the favourable performance of a certain number of Asian countries during the early 1980s appears to have been due partly to the availability of balance-of-payments financing, largely from the IMF, and under conditions that included supply-side considerations. An important share of such financing was provided from the Extended Fund Facility. 10/ One way to make available a larger flow of low-conditionality financing to developing countries experiencing temporary and reversible balance-of-payments difficulties would be to channel a larger proportion of resources through the Compensatory Financing Facility. To this end, the amounts to be drawn from the Compensatory

Financing Facility in relation to quota could be adjusted upwards. Lending policies could also be more sensitive to the protracted character of adjustment processes that include structural changes in the supply side of the economy. In recent years, the Fund has relied heavily on stand-by arrangements, which are essentially of a short-term nature. The seriousness and character of current balance-of-payments difficulties clearly call for greater use of the Extended Fund Facility. In this context, an expansion in the use of extended arrangements and the adoption of stand-by arrangements which normally exceed one year, as originally provided for in the IMF Executive Board's decision in 1981 establishing the Enlarged Access Policy, is highly desirable.

31. The growing instability of the international monetary and financial system has led some groups of countries to call for the convening of an international conference on money and finance. Early agreement on the identification of areas in which adaptations or reforms are needed and the definition of its scope would lay the groundwork for such a conference. Signals that there is a political will to overcome current problems would help to strengthen confidence in the future of the world economy. The enhanced confidence might contribute both to prompt adoption of more stimulative domestic economic policies in European countries and would attenuate the need for further intensification of contractionary adjustment measures in a large number of developing countries.

#### IV. TRADE AND RAW MATERIALS, INCLUDING ACCESS TO MARKETS FOR THE EXPORTS OF DEVELOPING COUNTRIES, AND URGENT ACTION IN THE AREA OF COMMODITIES

32. Increased export earnings are essential to the easing of the foreign exchange constraint. In particular, the heavily indebted countries will have to generate growing trade surpluses if they are to wind down their debt levels. Since import reductions have now reached a limit beyond which they are not likely to be tolerated, any further increases in trade and current account surpluses will have to come from rising exports.

33. In the near term, the export earnings of developing countries will depend largely on the prices for primary commodities and on their ability to continue to expand their export volumes of both manufactured and primary commodities, many of which are being affected by protectionist threats and actions in the main industrial countries.

34. Since the end of 1982, the prices for primary commodities exported by developing countries have generally been on an uptrend which may continue for some time into the near future. However, the prices for many commodities, particularly among metals, have barely moved, owing largely to stock overhang and excess production capacity that have not been absorbed by the recovery in the main consuming centres. Given the relatively modest improvement in the prices for raw materials that has taken place during the current recovery, any renewed weakness in economic activity in the industrial countries would have devastating consequences for countries whose export earnings are derived mainly from raw materials.

35. It is thus essential that agreed international mechanisms to support primary commodity prices be strengthened now. It is a matter of concern that the Common Fund for commodities, on which agreement was reached several years ago, has not yet been ratified by a sufficient number of countries to enable it to start operations. As of early June 1984, 75 countries had ratified the agreement and 110 countries had signed it. It is to be hoped that countries which have not yet completed action in this area will now expedite it so that the Common Fund can become operational as soon as possible. Its entry into force requires ratification by 90 States, accounting for two thirds of the Fund's directly contributed capital of \$470 million.

36. The setting up of new commodity agreements and the strengthening of existing ones, as envisaged in the Integrated Programme for Commodities, should also be a priority area for international action. Negotiations on existing international price agreements for cocoa and sugar are under way under the auspices of the United Nations Conference on Trade and Development (UNCTAD). However, new international commodity agreements have excluded price stabilization arrangements except for natural rubber. On several other commodities, such as copper, cotton, tea and hard fibres, the discussions have not yet provided a basis for negotiating price stabilization agreements. A trend appears to be emerging towards agreements and arrangements relating to non-price measures, primarily in the areas of research and development and market promotion. While progress in these respects is to be welcomed, it should not be allowed to supersede efforts to achieve consensus on means to stabilize prices.

37. A complementary financing facility, which would compensate countries for shortfalls in export earnings from individual commodities, was proposed at the sixth session of UNCTAD. That proposal will be more thoroughly studied in UNCTAD by an expert group which will report to the Trade and Development Board by December 1984.

38. Contrary to expectations and in spite of repeated policy pronouncements, protectionism has not abated during the current recovery in the industrial countries. Rather, there are indications that protectionism is on the rise. 11/ Certain steps to improve the trading environment have recently been taken, notably the decision by ministers of the member countries of the Organisation for Economic Co-operation and Development (OECD) to advance by one year, to early 1985, all tariff cuts scheduled for 1986 pursuant to the Tokyo Round of multilateral trade negotiations. As regards non-tariff barriers (NTBs), which now constitute a more effective restraint on the exports of developing countries than tariffs, insufficient efforts have been made to implement the commitment to a standstill on the introduction of new restrictive measures and a roll-back of existing ones contained in the Ministerial Declaration adopted by the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) in November 1982. 12/

39. It is in this area that urgent action is needed. The comprehensive report of the Secretary-General on the review and appraisal of the International Development Strategy contains concrete recommendations in this connection. 13/ The major trading countries could signify their commitment to begin the process of dismantling existing trade barriers and strengthening the liberal trading system by

taking action in areas that are of particular concern to developing countries. These might include agreement on a safeguard clause, beginning the process of winding down the Multifibre Arrangement, and launching a new round of multilateral trade negotiations to deal specifically with such issues as NTBs and trade in agriculture.

40. The safeguard clause of the GATT has been hotly debated. Disagreement centres on the right - upheld by certain industrial countries - to single out specific suppliers for safeguard action. There can be little doubt that discriminatory action cannot be allowed under GATT rules. The willingness of the industrial countries to transform into concrete actions their repeated trade pledges could be clearly demonstrated by agreeing to a non-discriminatory, transparent, and fair safeguard clause. Transparency can be ensured by the use of temporary tariffs, rather than NTBs, for safeguard purposes. In addition, the safeguard clause needs to specify the conditions under which safeguard action is permitted, and provisions for the elimination of restrictions and for the compensation of affected parties.

41. Steps towards the eventual dismantling of the Multifibre Arrangement and its conversion to normal safeguard action within the scope of GATT would also help to improve the trading environment and restore confidence in the commitment to a liberal trading system. Developing countries are likely to benefit greatly from a liberalization of trade in textiles. A large number of newcomers to the exports of manufactures are now in a position to become competitive suppliers of textiles and clothing.

42. Early action with regard to tariff and non-tariff barriers in agricultural commodities would also be of great importance to developing countries. Practically all major trading countries restrain the flow of agricultural goods across national boundaries through various means, including variable tariffs and quotas. A particularly worrisome trend in recent years has been increasing resort to export subsidies, thus impairing the ability of developing countries to compete in third markets. As a result of the Ministerial Meeting of 1982, GATT established a Committee on Agriculture, which has proceeded to examine domestic agricultural policies and trade measures affecting market access and export competitions. It is to be hoped that the work of this Committee will lead to concrete steps to liberalize trade in agriculture.

43. Finally, the launching of a round of multilateral negotiations aimed specifically at major outstanding issues, particularly NTBs and trade in agriculture, could strengthen the political will to resist new protectionist encroachments and work for a time-bound commitment to eliminate existing trade barriers.

#### V. DEVELOPMENT OF THE ENERGY RESOURCES OF THE DEVELOPING COUNTRIES

44. In the long term, the demand for commercial energy by developing countries may be expected to increase substantially. The growth of population, continued industrialization and urbanization, and increasing substitution of commercial fuels for rapidly depleting traditional fuels, such as wood and animal wastes, will

inevitably increase demand for commercial energy, particularly liquid fuels. While the growth rate of energy consumption in the developing countries during the remainder of the 1980s is expected to be markedly lower than that of the preceding two decades, requirements will nevertheless be considerable and may bring renewed strains to world energy markets in the latter part of this decade. The long gestation periods of energy investment projects lend a sense of urgency to actions in this area. Prompt measures to increase commercial energy supplies in the energy-importing countries would allow them to achieve significant foreign exchange savings in the medium term and to make important progress in the transition from traditional to commercial energy sources before the end of the decade.

45. Planning to meet the future energy requirements of the developing countries necessitates rapid development of their own indigenous energy sources, including both conventional and renewable. While each country needs to formulate its energy plan and programme in accordance with its own development objectives and priorities, such measures need to be geared towards the overall objective of diversifying to a more balanced pattern of supply and demand in preparation for the eventual energy transition to alternative non-conventional and new and renewable sources. As stressed in the Programme of Action for the Development and Utilization of New and Renewable Sources of Energy, adopted by the United Nations Conference on New and Renewable Sources of Energy at Nairobi in 1981, early planning can play an important role in bringing about this transition. 14/

46. In this regard, vigorous efforts are required at the national level for a fuller mobilization of financial and other resources for the implementation of the Programme of Action. It has also been recognized that these efforts need to be supplemented with adequate public and private international financial resources. Specifically, as recommended by the Committee on the Development and Utilization of New and Renewable Sources of Energy at its second session (held from 23 April to 4 May 1984), additional financing is needed to meet the growing requirements for supporting actions and pre-investment activities related to the development of new and renewable sources of energy in the developing countries. 15/

47. 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. 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 growing 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. In addition, proposals have been made to consider other avenues and mechanisms such as a multilateral insurance agency and an international energy development fund to promote the required capital investment in the energy sector of the developing

countries. 16/ There is also a critical need to strengthen the technological capacity of 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.

#### VI. IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION FOR THE 1980s FOR THE LEAST DEVELOPED COUNTRIES

48. The least developed countries are prominently represented among those developing countries which have been particularly affected by the adverse economic circumstances of recent years. In the least developed countries as a whole, per capita income has actually declined in every year of the current decade. External liquidity problems remain acute. In addition, the majority of these countries are located in sub-Saharan Africa and have, therefore, been hard hit by the drought conditions prevailing in that area. It is also generally recognized that economic policies towards the agricultural sector have tended to be inappropriate and have contributed to unsatisfactory long-term trends in food production.

49. As noted above, many countries, especially in Africa, are in the process of re-orienting their development policies, and particular attention is being given to the agricultural sector. The international community has recognized the need to support the development efforts of the least developed countries with special measures, which are embodied in the Substantial New Programme of Action for the 1980s for the Least Developed Countries, adopted by the United Nations Conference on the Least Developed Countries held in Paris in 1981. 4/ The SNPA envisaged that most donors would devote 0.15 per cent of their GNP to 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 total ODA to these countries by 1985. If current policies and trends remain unaltered, these targets will not be met. There are, of course, large differences in the performance of individual donor countries. Five countries (Belgium, Denmark, the Netherlands, Norway and Sweden) have already exceeded the target, while in some others their ODA/GNP ratios are 0.05 per cent or lower. Given the precarious economic situation of the least developed countries, a programme of immediate measures must necessarily emphasize the commitment to action to increase ODA flows to the least developed countries by donors which have not yet met the target.

50. The debt burden of the least developed countries has increased rapidly in recent years. Since most of these countries do not have access to international capital markets, the bulk of their debts is to official creditors. Although some donors have taken action to provide some debt relief to the least developed countries, debt levels have continued to increase, and debt-servicing burdens are adding to the balance-of-payments difficulties of several countries. It is therefore important that donor countries that have not yet done so implement fully and rapidly the commitments undertaken in Trade and Development Board resolution 165 (S-IX) of 11 March 1978 to grant a retroactive adjustment of terms on official development assistance loans to the least developed countries or to take other equivalent measures of debt relief.

51. Since the export earnings of the least developed countries are heavily concentrated on primary commodities, the early ratification of the Common Fund, and progress in the other components of the Integrated Programme for Commodities, would be particularly beneficial to this group of countries. In addition, measures to alleviate the effects of the drought in sub-Saharan Africa and to improve the area's food production capacity are especially important to the least developed countries.

#### Notes

1/ For an analysis of the current situation and prospects of developing countries, see World Economic Survey 1984 (United Nations publication, Sales No. E.84.II.C.1).

2/ Ibid., pp. 15-20.

3/ A comprehensive set of policy recommendations for the remainder of the decade can be found in "Review and appraisal of the International Development Strategy for the Third United Nations Development Decade: report of the Secretary-General" (A/39/115-E/1984/49), 29 March 1984, chap. III. Recently, the Committee for Development Planning, also, has made specific recommendations to deal with the development crisis (see Crisis or Reform: Breaking the Barriers to Development (United Nations publication, Sales No. 84.II.C.4)).

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

5/ An extensive discussion of the effects of a \$9 billion seventh replenishment of IDA can be found in "President's report to the Development Committee on current development issues", report by the President of the World Bank (Washington, D.C., 26 March 1984), pp. 13-17.

6/ Some of these proposals have been summarized in World Economic Survey 1983 (United Nations publication, Sales No. E.83.II.C.1), pp. 22, 27-28.

7/ John Williamson, A New SDR Allocation?, Policy Analyses in International Economics No. 7 (Washington, D.C., Institute for International Economics, March 1984), p. 26.

8/ Press communiqué of the Interim Committee of the Board of Governors of the International Monetary Fund, Press release No. 84/8, 12 April 1984.

9/ Williamson, op. cit., p. 33. In order to ensure that a substantial SDR allocation will be held as reserves rather than used for regular loan finance, Williamson has proposed the reintroduction of the reconstitution provision, though over a longer term than in the past (pp. 38-41).

10/ See World Economic Survey 1984, pp. 8-11.

11/ For a discussion of recent measures in trade policies, see World Economic Survey 1984, pp. 37-40, and also, Organisation for Economic Co-operation and Development, Economic Outlook, July 1984, pp. 12-13.

12/ GATT document L/5424, 29 November 1982.

13/ "Review and appraisal of the International Development Strategy for the Third United Nations Development Decade: report of the Secretary-General" (A/39/115-E/1984/49), paras. 46-65.

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

15/ "Further ways and means of mobilizing resources for new and renewable sources of energy: report of the Secretary-General" (A/AC.218/7), 29 March 1984.

16/ "Development of the energy resources of the developing countries: note by the Secretary-General" (E/1983/91), 29 June 1983, and "Development of energy resources in developing countries: report of the Secretary-General" (A/39/420).

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