



COMMITTEE FOR DEVELOPMENT PLANNING

REPORT ON THE SEVENTH SESSION

(22 March – 1 April 1971)

ECONOMIC AND SOCIAL COUNCIL
OFFICIAL RECORDS: FIFTY-FIRST SESSION

SUPPLEMENT No. 7

UNITED NATIONS

New York, 1971

CONTENTS

<u>Chapter</u>	<u>Paragraphs</u>	<u>Page</u>
INTRODUCTION	1 - 6	1
I. APPRAISAL OF PROGRESS DURING THE SECOND UNITED NATIONS DEVELOPMENT DECADE: CONTENT AND ORGANIZATION OF WORK . .	7 - 40	3
A. System of evaluation: character and functions . . .	8 - 13	3
B. Information for evaluation	14 - 23	4
1. Main areas for developing countries	17 - 19	5
(a) Performance in achieving economic and social objectives	17 - 18	5
(b) Efforts and policy measures	19	6
2. Main areas for developed countries	20 - 22	7
(a) Performance of developed countries	20 - 21	7
(b) Efforts and policy measures of developed countries	22	7
3. Main areas for international organizations . . .	23	8
C. Improvements in the system of information	24 - 34	8
D. Organizational aspects of the Committee's work on evaluation	35 - 40	10
II. LEAST DEVELOPED AMONG DEVELOPING COUNTRIES IN THE CONTEXT OF THE SECOND UNITED NATIONS DEVELOPMENT DECADE: IDENTIFICATION AND SPECIAL MEASURES	41 - 83	12
A. Characteristics of the least developed among developing countries	44 - 53	13
B. Identification of the least developed among developing countries	54 - 71	14
C. Special measures in favour of the least developed among developing countries	72 - 83	20
1. Technical co-operation	75 - 76	21
2. Financial assistance	77 - 81	22
3. International trade and regional co-operation . .	82 - 83	23

CONTENTS (continued)

	<u>Paragraphs</u>	<u>Page</u>
III. LONG-TERM PLANNING: EUROPEAN EXPERIENCE	84 - 117	24
A. Some general aspects of long-term plans and studies	84 - 100	24
1. Elements of uncertainty	86 - 90	24
2. Concepts and methods	91 - 93	25
3. Growth objectives and patterns	94 - 100	26
B. Industrialization and foreign trade	101 - 117	28
1. The choice of industries and techniques for development	109 - 112	30
2. Trade policies and industrial development . . .	113 - 115	31
3. The role of international corporations	116 - 117	32
IV. STRATEGY AGAINST MASS POVERTY	118 - 127	33
V. ARRANGEMENTS FOR FUTURE WORK	128 - 133	35

ANNEXES

I. LIST OF PARTICIPANTS	37	
II. LIST OF DOCUMENTS	41	

INTRODUCTION

1. The Committee for Development Planning held its seventh session at the Palais des Nations, Geneva, from 22 March to 1 April 1971. Five members of the Committee, namely, Messrs. Nazih Deif, W.B. Reddaway, Raúl Sáez, Jakov Sirotković and Zdeněk Vergner, were unable to attend the session. The names of the members present at the session and of the representatives of organizations participating in it are listed in annex I to this report. The officers of the Committee, elected in 1966 for a term of three years and re-elected in 1969 for another term of the same duration, are as follows: 1/

Chairman: Mr. Jan Tinbergen

Vice-Chairman: Mr. M.L. Qureshi

Rapporteur: Mr. József Pajestka.

2. At the opening meeting of the session, Mr. Janez Stanovnik, Executive Secretary of the Economic Commission for Europe (ECE), expressed gratification that the Committee had found it possible to accept the invitation of ECE to meet at Geneva and had placed as a major item on its agenda aspects of long-term planning in Europe and its implications for world development. Mr. Stanovnik drew the attention of the Committee to some of these aspects and their relevance to developing countries. To assist the Committee in its consideration of the issues relating to that item of the agenda, the secretariat of ECE had prepared a paper (E/AC.54/L.38 and Add.1-3).

3. At the same meeting, the Committee extended welcome to Mr. J.P. Lewis who was appointed member in April 1970 by the Economic and Social Council at the nomination of the Secretary-General.

4. The Committee adopted the following agenda:

1. Opening of the session
2. Adoption of the agenda
3. Content of appraisal of progress during the Second United Nations Development Decade
4. Questions relating to the least developed among developing countries
5. Aspects of long-term planning at national and international levels and its implications for world development (drawing upon experience in Europe)
6. Arrangements for future work
7. Adoption of the report to the Economic and Social Council.

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

5. The Committee wishes to place on record its appreciation to the secretariat of ECE for its invitation to hold the present session at Geneva, for the interesting documentation prepared by it for use by the Committee and for the valuable assistance rendered by it in connexion with arrangements for the session.

6. The views, conclusions and recommendations of the Committee on the major topics discussed at the session are set forth in the following chapters. The preparation of the first two chapters was greatly facilitated by the reports submitted by its two working groups that met in 1970. A working group met at Geneva from 3 to 6 August 1970 under the chairmanship of Mr. Jan Tinbergen to examine the framework for appraising progress during the Second United Nations Development Decade, and its other members were Messrs. Nazih Deif, József Pajestka, M.L. Qureshi and Germánico Salgado. Another working group met, also at Geneva, from 23 to 26 March 1970 under the chairmanship of Mr. Jean Ripert and dealt with questions relating to the least developed among developing countries; the other members of this working group were Messrs. J.A. Lacarte, J.H. Mensah, M.L. Qureshi and Z. Vergner. The deliberations of both working groups and of the Committee at its present session were materially helped by the information supplied by international organizations in writing and through their representatives present at the meetings. The Committee wishes to express its appreciation to all concerned for their co-operation. The reports of the two working groups and other documents that served as the basis of discussions at the seventh session of the Committee are listed in annex II to the present report to the Economic and Social Council.

I. APPRAISAL OF PROGRESS DURING THE SECOND UNITED NATIONS
DEVELOPMENT DECADE: CONTENT AND ORGANIZATION OF WORK

7. The Committee has taken note of the importance attached by the General Assembly, in the International Development Strategy adopted by it on 24 October 1970 as resolution 2626 (XXV), to the task of periodic review and appraisal of both objectives and policies relating to the Second United Nations Development Decade. It is deeply appreciative of the fact that, in carrying out the task, the Assembly has called upon the Committee to play a special role, as indicated in paragraph 83 of the Strategy. In anticipation of the work relating to this new responsibility, the Committee has prepared a series of suggestions and recommendations, drawing in part on the views expressed in its last report to the Economic and Social Council. ^{2/} The suggestions and recommendations relate to the character and functions of a system of evaluation of progress, to the information required for such evaluation and to certain organizational aspects of the work.

A. System of evaluation: character and functions

8. The arrangements for appraisals of progress called for by the General Assembly are intended to make the Second United Nations Development Decade a continuing and dynamic exercise. Through an analysis of actual developments set against the framework of the Strategy, evaluation of progress carried out periodically should help to draw attention to both achievements and deficiencies in results. The analysis should be so designed as to permit all concerned with appraisals to judge the efficiency of their own action. Moreover, by means of a diagnosis of the main obstacles - both internal and external - to economic and social development, such evaluation should identify the remedial measures that may be required at both national and international levels and, if need be, in the goals and objectives of the Decade. The evaluation should thus, be both retrospective and forward looking. In fact, the focus throughout should be to suggest ways that the lessons of the past can better shape the course of the future.

9. The evaluation of progress will need to be made on both quantitative and qualitative bases. Many elements of the development process are not amenable, at least at the present stage in developing countries, to quantification. Care must be taken, therefore, to ensure that important elements are not left out merely because of absence of adequate quantitative information.

10. Obviously, progress will have to be appraised against the frame of reference of the International Development Strategy. For the first time, through this Strategy, the world community has established a series of interrelated goals and objectives together with a wide-ranging set of national and international policy measures for achieving them; and it is in relation to the various elements of the Strategy that the world community will want to examine the unfolding trends and events. The General Assembly has also made it clear, however, that each developing

^{2/} Ibid., Forty-ninth Session, Supplement No. 7, E/4776 and Corr.1, paras. 94 to 102.

country should formulate and implement its own national development strategy - its own set of objectives and policy measures - in the light of its own circumstances. Thus, apart from the objectives delineated in the indicative framework of the Second United Nations Development Decade as well as in related regional and sectoral (functional) programmes, progress in developing countries will also need to be measured against both their own past performance in a relevant time period and the objectives laid down in their national development plans covering the relevant time segments of the Decade. Assessment against past performance will be necessary not merely in the cases where national plans are lacking - in order to provide some idea of the possibilities in the light of actual achievements in the recent past - but for all developing countries in order to enable them to judge the realism of their national goals and objectives.

11. Evaluation of progress towards the goals of the Second United Nations Development Decade will need to be made in such a way as to bring out both the performance of the country concerned in terms of the results achieved and the effort made towards the attainment of the designated goals. Assessment of both effort and performance is desirable in order to make full allowance not only for the time lag that may occur between the former and the latter, but also for the wide differences that exist in respect of the endowment and economic status of countries.

12. All appraisals specified by the General Assembly will need to be mutually reinforcing in character. The basic information for international appraisals - regional, sectoral (functional) and over-all - will necessarily come from national sources. The collection of information should be so designed as to prevent unnecessary burdens on the departments concerned in individual countries. Within the group of international appraisals, naturally, full use will need to be made of the work carried out in various international organizations. It is logical to expect that the over-all appraisals will be aided by the work on other appraisals; and as part of a continuing process, the other appraisals will benefit from the conclusions emerging from an over-all assessment. One of the important purposes of international appraisals will be to assist in a better formulation and implementation of policies at the national level by both developing and developed countries in the common cause of economic and social progress throughout the world. These appraisals should also help to bring about a better formulation and implementation of programmes by international organizations.

13. In organizing the system of evaluation, care should be taken to avoid unnecessary duplication of work. Realistic assessment of world economic and social trends and of the underlying socio-economic and political forces is a very complicated task. This can be carried out in a satisfactory manner only if there is adequate opportunity for different viewpoints and interests to find expression, thereby contributing to both the understanding of problems and the desired progress. Diversity of viewpoints and interests relating to the task in hand, may actually be a source of strength.

B. Information for evaluation

14. The Second United Nations Development Decade will represent a major endeavour on the part of the world community to improve economic and social conditions through an International Development Strategy. As part and parcel of this endeavour, there will need to be a major effort in organizing a system of information necessary for a periodic evaluation of progress. Information should be based on (a) statistics

relating to a wide range of economic and social variables, (b) development plans and policies, undertaken as well as envisaged, and (c) judgements of experts and organizations involved in programming economic and social development.

15. Information is needed concerning the performance and effort of both developing and developed countries. Moreover, since an important role has also been envisaged for international organizations in the International Development Strategy it is only logical to request similar information concerning the contributions of these organizations to the objectives of the Second United Nations Development Decade. All these flows of information will be necessary for an evaluation on a truly global scale.

16. The elements of evaluation of performance and efforts towards meeting the objectives of the Second United Nations Development Decade can be found in the text of the International Development Strategy. For its own purpose the Committee has grouped these elements into broad headings which are set out in the next few paragraphs. There still remains the problem of identifying appropriate indicators for appraising progress relating to each of the main areas enumerated below. The Committee has noted with satisfaction that the organizations of the United Nations system are currently engaged in preparing harmonized lists of indicators relevant for their areas of activity, bearing in mind the need for avoiding undue burdens on national offices concerned. The work which is in progress should suggest a basic list of indicators required for over-all appraisals. For illustrative purpose, the Committee wishes to draw attention to the indicators discussed in the Secretariat study entitled "The developing countries in the 1960s: the problem of appraising progress", issued as Part One of the World Economic Survey, 1969 (E/4841 and Add.1-2). The Committee has decided to convene a working group to examine questions relating to indicators after the work in progress in the United Nations system has made sufficient progress.

1. Main areas for developing countries

(a) Performance in achieving economic and social objectives

17. For over-all appraisals of the performance of developing countries in achieving the economic and social objectives of the Second United Nations Development Decade, the Committee considers the following areas most relevant:

- (a) Output of goods and services;
- (b) Demographic trends;
- (c) Creation of employment opportunities and reduction of unemployment and underemployment;
- (d) Over-all consumption, consumption of basic goods and their nutritional value;
- (e) Education;
- (f) Housing;
- (g) Health;

(h) Well-being of children;

(i) Integration of women in the development effort;

(j) Investment and saving;

(k) Foreign trade, shipping and other invisibles and financial and other transfers (including the relative extent of external indebtedness).

18. In appraising performance, particular attention needs to be given to developing and arranging this information in a way that helps to analyse (a) changes in the structure of production, (b) sectoral balance (including factors hampering economic growth) and (c) changing patterns of income distribution and mass poverty.

(b) Efforts and policy measures

19. For assessing efforts by developing countries, the Committee considers the following groups of policy measures to be the most relevant:

(a) Measures for increasing agricultural production and improving distribution of income in the rural sector (including measures relating to land reform, rural credit, organization of agricultural markets, participation in international commodity agreements, etc.);

(b) Measures for accelerating industrialization;

(c) Measures for expansion of employment;

(d) Measures relating to educational expansion and improvement (including literacy campaigns and inculcation of vocational skills);

(e) Measures for improving health and sanitation;

(f) Measures for better housing, nutrition, social welfare, etc.;

(g) Measures for better distribution of income;

(h) Measures for attacking mass poverty;

(i) Measures for mobilizing domestic financial resources;

(j) Measures for export promotion, import substitution and external-debt management;

(k) Measures for expanding and strengthening subregional and regional economic co-operation. (This is particularly important for small countries);

(l) Measures for promoting scientific and technological progress;

(m) Measures for internal economic stability;

(n) Measures for improving administrative efficiency (including that relating to planning and plan implementation);

- (o) Measures with respect to population growth;
- (p) Other measures for institutional and structural reform;
- (q) Measures for mobilizing active participation of broad masses of population, and particularly the youth, in the development process and for enlisting popular support for economic and social objectives.

2. Main areas for developed countries

(a) Performance of developed countries

20. Reporting of progress made by developed countries, both those with market economies and those with centrally planned economies, will have to be continued with regard to their own economic and social aspects. This is necessary because the economic growth and the changes in the economic structures of these countries have a major impact on the developing world which has to be regularly appraised. Such appraisal will need to include an examination of the relevant policy measures of developed countries.

21. In the context of the International Development Strategy for the 1970s, the reporting and evaluation of the performance of developed countries in fields that are of great importance for the economic and social progress of developing countries will need to be detailed enough to bring out the real impact on the development process. Such reporting and evaluation should particularly cover the following areas (as relevant for developed market economies and centrally planned economies):

- (a) Official financial flows to developing countries (gross and net volume, geographical and sectoral breakdown, components by type, terms and other conditions, etc.);

- (b) Private financial flows to developing countries (gross and net volume, geographical and sectoral distribution, terms, etc.);

- (c) Trade flows with developing countries (including structural breakdown);

- (d) Research and development expenditure for the benefit of developing countries;

- (e) Technical assistance.

(b) Efforts and policy measures of developed countries

22. A qualitative description of policy measures implemented in favour of developing countries in the framework of the Second United Nations Development Decade will also require close attention. This should cover in particular:

- (a) Measures to increase the effectiveness of official assistance, including assistance to particular sectors;

(b) Measures to stimulate the flow of private investment and to increase its development impact (especially in relation to objectives set forth in the national plans of developing countries);

(c) Measures to enlarge the multilateral financial assistance;

(d) Participation in international commodity agreements;

(e) Reductions in tariffs and non-tariff barriers;

(f) Measures for industrial co-operation;

(g) Measures for promoting scientific research and technologies suitable for developing countries;

(h) Measures for promoting the transfer of technologies to developing countries;

(i) Measures for expanding educational and health facilities in developing countries;

(j) Supplementary measures to alleviate the balance of payments difficulties of developing countries;

(k) Measures to mobilize public opinion in support of the objectives of the Second United Nations Development Decade.

3. Main areas for international organizations

23. Relevant parts of paragraphs 17 to 22 also apply, mutatis mutandis, to international organizations.

C. Improvements in the system of information

24. Although there has been a significant improvement in recent years in the flow of information on the economic and social data relating to developing countries - a feature to which both individual countries and international organizations have made valuable contributions - the Committee believes that much remains to be done in standardizing concepts and classifications (groupings of countries, definition of international financial assistance, unification of "benchmark" years etc.). This work should be given urgent attention so that, among other things, the appraisals themselves are continually improved and lead to the elimination of duplication in collecting information during the Decade.

25. A programme of action is needed that will help to fulfil the statistical requirements. The data should be geared to meeting the requirements of both planning and projections and appraisal of progress. Concepts and classifications used by various international organizations often differ significantly, and the Committee recommends that interagency co-operation should be continued and strengthened in order to remove the prevailing differences. In the light of the tasks of the Second United Nations Development Decade, the Committee is ready to co-operate with the Statistical Commission to prepare an appropriate programme of

action relating to improvement of a statistical system for meeting international requirements. The Committee believes that an appropriate form of such co-operation, if the Statistical Commission is agreeable, will be the establishment of a joint working group of the Commission and the Committee.

26. Certain minimum requirements of a uniform system of information are of particular importance for aggregating data for individual countries in order to make over-all and regional appraisals and diagnoses with a view to facilitating meaningful conclusions for policy recommendations in the context of the objectives of the Decade. The Committee is of the opinion that the improvement of this system throughout the world merits high priority.

27. In this system, improvement of national accounts statistics is of fundamental importance. It is necessary to develop national accounts statistics in countries where such data are lacking or are rudimentary. It is also necessary to develop appropriate price data in order to build up national accounts in constant prices of a selected year so as to be able to examine the emerging trends in real terms. Furthermore, the Committee considers that particular attention should be paid to correct methods used for aggregation of the basic value indicators (gross product, national income, etc.) in a conventional monetary unit. The methods currently applied, relying mainly on official exchange rates, distort the comparability of both levels and the rates of growth of the variables involved. Work on using purchasing power parity rates and other methods should be continued in order to facilitate better international aggregation of the relevant values. The Committee has noted with satisfaction that the Statistical Commission has already taken a number of important decisions on these matters.

28. The evaluation of social achievements in the context of the objectives of the Second United Nations Development Decade will require intensification of research on the use of appropriate social indicators and collection of relevant data. This should include greater refinement of indicators of levels of living as well as attempts at quantifying certain structural and other social factors. The Committee is appreciative of the fact that in this area too work has been initiated by the Statistical Commission.

29. In particular for obtaining more illuminating data on the income-distribution and welfare aspects of development, the Committee believes that there is need for greater use of competent sample survey research in many developing countries. The Committee would be happy to include this subject on any agenda established with the Statistical Commission, along the lines described in paragraph 25 above, and, if appropriate, to discuss it with other interested parties.

30. It is understandable that the improvement required will take time. Even if data are inadequate, policy decisions have to be made by the countries concerned, based on common sense and intuitive judgement. For their part, the appraisals of progress to be undertaken during the Decade, especially during the earlier years, will necessarily have to rely on indicators representing closest possible approximations. It should also be emphasized that, because of lacunae in data in the early stages in the work, it will not be possible to use the most sophisticated analytical methods on a world scale. This should not be considered an insuperable barrier in the challenging task ahead. As the work proceeds, frontiers of knowledge are bound to be extended. At the same time, however, steps need to be taken by the countries concerned to strengthen their Statistical Departments.

31. The rapid expansion of computer facilities that is now taking place holds forth a new promise. Governments and international organizations are taking advantage of these facilities. The Committee hopes that they will find it possible to put relevant data on computer tapes expeditiously so that they can quickly draw on one another's work and bring the information to bear upon various analyses as and when required. The need for putting data on computer tapes provides another reason for bringing about standardization and harmonization of concepts.

32. Information on policy measures taken by individual countries, particularly the developing members of the world economy, is seriously deficient at present. It is often very difficult to discern the nature and scope of the measures undertaken. Even if certain details are published, they are frequently set out in such a way and in such scattered places that their true significance is elusive. The Second United Nations Development Decade should provide an opportunity to improve this state of affairs. The primary responsibility in this regard rests on the countries themselves. The working group of the Committee mentioned in paragraph 16 above should also look into problems of information on policy measures.

33. Technical assistance needs to be enlarged for improving the flow of information from developing countries. This is particularly desirable in fields important for evaluation of progress - national plans, general statistics and policy measures - including assistance for sample survey research. The United Nations system should accord, in its technical assistance programmes, high priority to these fields. For their part, the Governments of developing countries should take steps to speed up the flow of available information required for appraisals of progress called for by the General Assembly. The joint working group of the Committee and the Statistical Commission, if established, might draw up a list of desirable time-limits within which data on key variables should be issued every year by Governments.

34. International organizations also need to take comparable steps to speed up the flow of information compiled by them. The value of computerization of data for this purpose has already been stressed in paragraph 31 above.

D. Organizational aspects of the Committee's work on evaluation

35. As stated in paragraph 7 above, the Committee has taken note of the responsibility given to it by the General Assembly in connexion with the over-all appraisals of progress to be carried out biennially during the Second United Nations Development Decade, and has therefore concentrated its attention on the work called for by such appraisals. In order to discharge its new responsibility, along with its other tasks, particularly those relating to development planning and plan implementation - a major element of the International Development Strategy - the Committee deems it important to bring about appropriate modifications in its work.

36. The Committee believes that it should carry out its new task mainly on the basis of information compiled and analyses prepared in connexion with the various appraisals described in paragraphs 79 to 83 of the International Development Strategy, particularly the documents and reports to be prepared by the Secretary-General. The Committee will attempt to prepare strategic over-all diagnoses of prevailing problems, together with an assessment of achievements during the period under review, by utilizing the information and viewpoints emerging from regional

and sectoral appraisals and from the reports of the Secretary-General relating to over-all appraisals and from other sources, and aim particularly at putting forward suggestions for the design and implementation of better development policies in the years ahead. The reports of the Committee will be designed primarily to assist the Economic and Social Council and the General Assembly, but it is also hoped that they will contribute to the mobilization of public opinion in both developing and developed countries in support of the objectives and policies for the Second United Nations Development Decade.

37. The modifications that the Committee deems appropriate concern its membership and the organization of its work. Given the importance of the tasks ahead, some expansion in the size of the Committee seems desirable. This will help to enlarge the pool of experience available within the Committee and to permit it to perform its functions adequately. Intensification of work will be necessary, which will require greater involvement of some members in order to undertake certain assignments on behalf of the Committee; it may also be necessary to commission from time to time studies and papers on appropriate topics from outside institutions and scholars; and it will pose considerably heavier requirements for continuing staff support. The Committee believes that, during the year in which an over-all appraisal of progress has to be made, (for instance, 1973), it will need to hold two sessions. Meetings of working groups will also be required to examine important issues and problems with a view to paving the way for a meaningful consideration of the relevant subjects at the sessions of the Committee as a whole. In order to facilitate this intensified aspect of the Committee's work, the Secretariat will need to assume greater responsibility and maintain close operational contacts with members of the Committee in between its sessions and in between the meetings of its working groups.

38. The framework of regional appraisals, to be conducted in the context of the International Development Strategy by the regional economic commissions in co-operation with other interested organizations, needs to be worked out. The Committee is aware that a regional mechanism already exists in Latin America, although this mechanism may need some adaptation in order to be harmonized with the International Development Strategy. It has also learnt with satisfaction the steps taken by the Economic Commission for Asia and the Far East (ECAFE) towards setting up a system of appraisal involving a group of independent experts, designed to meet the requirements of the ECAFE region. Other regions may also need special arrangements, appropriate for their requirements. Where such arrangements are made, it may prove useful to associate some members of the Committee with them. This may also be true with respect to appraisals at sectoral (functional) levels.

39. Taking into account the requirements of the first over-all appraisal to be made in 1973 by the General Assembly, through the Economic and Social Council, the Committee suggests that it hold two plenary sessions in that year, arranged in such a way as to permit it to prepare a report in time for the relevant session of the Council that year. A similar procedure is anticipated for the second over-all appraisal, which will be, as called for by the General Assembly, in the nature of a comprehensive mid-term review and will be undertaken in 1975.

40. Work on appraisals of progress called for by the General Assembly requires resources appropriate to the task, including those needed to meet the additional responsibility of the Committee itself. The Committee wishes to reiterate the conclusion set forth in its last report to the Economic and Social Council that, while some adjustments within the present resources are presumably possible, the new work will have budgetary consequences which should be faced. 3/

3/ Ibid., para. 100.

II. LEAST DEVELOPED AMONG DEVELOPING COUNTRIES IN THE
CONTEXT OF THE SECOND UNITED NATIONS DEVELOPMENT
DECADE: IDENTIFICATION AND SPECIAL MEASURES

41. The Committee examined the special problems of the least developed among the developing countries with a view to recommending criteria for identifying those countries as well as special measures for dealing with their problems. This examination was in response to General Assembly resolution 2564 (XXIV) of 13 December 1969 in which the Assembly affirmed "the need to alleviate the problems of the least developed among the developing countries with a view to enabling them to draw full benefits from the Second United Nations Development Decade"; and in this connexion the Assembly requested "the Secretary-General, in consultation with the heads of the specialized agencies and the regional economic commissions, the Committee for Development Planning, the group of experts appointed under resolution 63 (IX) of the Trade and Development Board and any other appropriate consultants, to carry out a comprehensive examination of the special problems of the least developed among the developing countries and to recommend special measures, within the framework of the Second United Nations Development Decade, for dealing with those problems".

42. The General Assembly subsequently re-emphasized the importance of the question in two resolutions. In resolution 2626 (XXV) of 24 October 1970, the General Assembly decided to include a separate section (paragraphs 56-58) on the least developed among developing countries in the text of the International Development Strategy for the Second United Nations Development Decade. In resolution 2724 (XXV) of 15 December 1970, the General Assembly affirmed the urgency of identifying the least developed among developing countries and invited the international organs concerned to give a high priority to the question of such identification taking into account relevant studies, including that of the Committee for Development Planning; it also requested the Secretary-General to report to it at its twenty-sixth session on the progress made towards the identification of those countries.

43. The Committee is convinced of the need for special measures in favour of the least developed among the developing countries. While developing countries as a group face more or less the same general problems of underdevelopment, the difference between the poorest and the relatively more advanced among them is quite substantial. While the basic framework of the International Development Strategy concerns all developing countries, the capacity of these to benefit from general development measures varies widely. The least developed among them cannot always be expected to benefit fully or automatically from such general measures adopted in favour of all developing countries. Some special supplementary measures are therefore called for to remove the handicaps which limit the ability of the least developed countries to derive significant advantages from the Second United Nations Development Decade.

A. Characteristics of the least developed among
developing countries

44. The nature and relative magnitude of the obstacles to development differ from region to region and country to country and the problems of any country are peculiar to its own conditions. However, apart from the very low levels of per capita gross domestic product, which make it very difficult for these economies to generate the volume of savings needed to finance development, there are other general constraints to economic and social development which are typical of the least developed economies and which are readily identifiable.

45. On the production side, these economies tend to be characterized by the predominance of agriculture and/or primary activities, in terms of the percentage contribution of such activities to gross domestic output and the share of the economically active population in them, and by the general prevalence of a low level of labour productivity in agriculture, especially in food production. Also significant in these economies is the predominance of subsistence activities.

46. A corollary of the predominance of primary activities is the low level of industrialization. The share of manufacturing in gross domestic output is not more than 10 per cent for most of these countries. The lack of a sufficiently diversified production structure is associated with a concentration of exports in primary commodities and minerals, with manufacturing exports being insignificant. Often two major export items account for as much as 70 per cent of the total export value. The excessive dependence on a narrow range of primary exports prone to year-to-year fluctuation in prices, and, owing to weather conditions, in the volume of production, increases the vulnerability of these economies to the vicissitudes of international commodity markets. Fluctuations in export earnings introduce an added element of difficulty into medium-term national development planning.

47. Given their existing production structures, such economies cannot benefit significantly from trade measures geared to manufactures and semi-manufactured products, unless at the same time measures to stimulate industrial production and diversification are adopted.

48. A most important characteristic of these countries, especially of those having the lowest income per capita, is a low level of education and an insufficient adaptation of the education system to development needs. The literacy rate - the proportion of the literate population in the total among those over 15 years of age - tends to be below 20 per cent. One consequence is a general shortage of skills for the organization and management of the over-all development effort. The participation of the indigenous population in the development process is consequently very limited. Furthermore the capacity of the economy to absorb technological advances is low. There is a scarcity of technical and managerial cadres. The shortage of skills has often been remedied by resort to the employment of foreign technicians. The fact that suitable training facilities and trained personnel are not available in sufficient numbers also affects the efforts of the public sector to manage development in its multiple forms. In the least developed countries, even where there are national plans, well-formulated projects and the machinery to implement them are most often lacking. The basic statistical data are frequently missing. Comparatively little is known about the nature and extent of domestic natural resources, and the shortage of water in a number of countries creates particularly acute problems in development. Not only has the planning

infrastructure established in the 1960s not taken root, but more important, there is a lack of adequate physical and institutional infrastructure for development - a prerequisite for increased production and exchange of goods and services.

49. The over-all administrative and governmental organization is weak, a consequence of the lack of trained manpower. With large subsistence sectors, low personal incomes and few corporate enterprises, the least developed countries lack a broad tax base for raising public revenue, and revenue is derived significantly from export and import levies. The capacity of these countries to mobilize domestic resources and diversify public budget sources is therefore also severely limited, and the potentially catalytic effect that public outlays for building up social, economic and human development infrastructure can have on over-all development is thereby blunted. Nor are the vital supporting services of financial institutions available for mobilizing domestic resources.

50. Economic infrastructure, such as communications, power generation facilities, water works, harbours and roads, is either in a rudimentary stage of development or inadequate. Transportation costs tend to be high, resulting in a fragmentation of the national economy. The constraining effect on development of the rudimentary stage of facilities and services is particularly acute in those least developed countries which are also landlocked.

51. The generally low levels of development also permeate the social field. Low standards of health and inadequate health services, for example, are a prominent feature in these countries. The available statistics, although inadequate, indicate that levels of nutrition are often grossly insufficient, measured both in terms of caloric intake and protein requirements. Reference to such indicators as crude death rate, infant mortality rate or life expectancy point to the same deficiency. The available health services - judged, for example, by the number of inhabitants per doctor - tend also to be in a poor state.

52. Another characteristic of the least developed countries, though by no means confined to these countries alone, is that they tend to be economically small, whether measured by population or by national income, and usually lack diversity in their national resource endowment. The establishment or expansion of competitive industries also tends to be restricted by the smallness of the national markets.

53. Countries with the foregoing characteristics are for the most part very poor, and the same characteristics make for very low rates of growth. They are caught in a vicious circle which can only be broken by a vigorous and integrated approach.

B. Identification of the least developed among developing countries

54. It is by no means easy to formulate objective criteria for identifying the least developed among developing countries. The Committee, however, considers that criteria and procedures for identifying such countries are essential, if a concrete expression is to be given to the political will to implement special measures in their favour. Given, on the one hand, the urgency of the situation of some of these countries and the need for immediate action if the measures are to affect the pace of their development in the 1970s, and, on the other hand, the fact that

no readily usable index is already available, it is necessary to suggest a tentative approach in defining criteria and procedures for identifying these countries. It is recognized that future research may make possible the establishment of more refined criteria. Indeed, the Committee hopes that the criteria recommended below will be viewed as tentative and be elaborated further and refined within the over-all machinery for reviewing the progress of the Second United Nations Development Decade. Meanwhile, a pragmatic, policy-oriented method is required, which can be applied in the immediate future.

55. Admittedly, a two-fold classification of developing countries into "least developed" and "other" is somewhat arbitrary, given the multi-dimensional complexity of economic and social development. Admittedly, also, there may be different concepts of least development, each of which may be specially relevant to a different field of action or in the context of a particular region. Nevertheless, as a first step in international action to adopt special measures, a simple method would seem to be the most practical. This would not rule out the use of other methods in special circumstances, as, for example, in the granting of special privileges to certain countries in regional agreements for co-operation in trade, mentioned in paragraphs 70 and 71 below. Ultimately, as statistical data are improved and further research is completed, it may be possible to replace a simple approach with a wider typology.

56. A simple method can, and should, be applied in a flexible way. Any general list of least developed countries established for the Second United Nations Development Decade should be subject to revision in the context of the mid-Decade review and appraisal of objectives and policies. To avoid the unfavourable effects of sharp discontinuities in policy, it should be understood that a country would not be automatically deprived of special measures as soon as it ceased to qualify as least developed according to a simple method.

57. The Committee is aware of some interesting experimentation with regard to the use of a composite index based on a large number of indicators, especially by the United Nations Conference on Trade and Development (UNCTAD). In practice, however, such an approach is technically complicated and, with information presently available, very difficult. It poses problems of weighting various social and economic indicators, such as the degree of diversification of production and export, the level of infrastructural development, the availability of skilled and managerial manpower, and the level of caloric intake. Moreover, the statistical data required for such an exercise are very often inadequate in those countries, and their coverage does not make possible the inclusion of all the major strategic variables necessary in such an index. Accordingly, the Committee recommends the adoption of a technique based on a very few highly significant and widely available indicators.

58. The most useful single indicator, despite its shortcomings, is per capita gross domestic product. As was stressed in the report of the Committee on its sixth session, this index "does not fully reflect such major conditions of development as income redistribution or structural change".^{4/} It provides, however, a rough and ready indicator of the productive capacity of an economy and of its

^{4/} Ibid., para. 16.

ability to provide needed services. Unlike a composite index, the per capita gross domestic product is readily comprehensible and has great appeal as a quantitative indicator of the over-all level of development. Moreover, the Committee has found that at low levels of per capita gross product there tends to be a close correlation between income per capita and other development indicators. Therefore, in spite of the shortcomings, per capita gross product, supplemented by other appropriate variables which help to bring out more adequately other relevant aspects of the various dimensions of economic and social development provides a very useful point of departure for classifying the least developed countries.

59. While a low level of per capita gross product generally correlates highly with under-development as measured by such criteria as infrastructural development and availability and level of skills, greater reliability can be obtained by using this indicator - that is, per capita gross domestic product - in conjunction with two other indicators, namely, the share of manufacturing in total gross domestic product and the literacy rate. Broadly speaking, the per capita gross domestic product serves as a general indicator of the dimensions of poverty and over-all development; the share of manufacturing in total output provides some idea of the extent of structural transformation of the economy; and the literacy rate indicates the size of the base for enlarging trained and skilled human resources. In addition to the three main criteria, the average rate of growth of the gross domestic product in real terms - that is, in constant prices - should be used as a minor criterion in clarifying the border-line cases. The use of this supplementary criterion can be justified on the grounds that, at low levels of development, a low rate of growth may indicate, for example, a marked inadequacy of infrastructure facilities.

60. The Committee considers that countries having all three of the following characteristics should almost certainly be classified as least developed: per capita gross domestic product of \$100 or less, share of manufacturing in total gross domestic product of 10 per cent or less, and literacy rate - proportion of the literate persons in the age group of fifteen years and more - of 20 per cent or less. In addition, certain border-line cases should also be considered eligible for inclusion in this classification. Countries with per capita gross product of \$100 or less but with a manufacturing ratio or literacy rate somewhat exceeding the limits just suggested should be included, especially if their average real rate of growth during recent years has been exceptionally low. Similarly, countries where per capita gross product is over \$100 but is not more than around \$120 and which satisfy the other criteria should also be included. In considering the border-line cases, however, judgement would have to be exercised to take account of special circumstances which may have distorted the recent picture.

61. The relevant data relating to countries with per capita gross domestic product of \$150 or less are shown in the table below; the limit of \$150 - a figure higher than that mentioned in the preceding paragraph - has been used as a preliminary screening device so as to ensure that no country warranting consideration for classification as least developed is left out. ^{5/} The countries have been grouped

^{5/} The table includes only those countries for which relevant statistical information was available. Further research may suggest the inclusion of some additional countries.

Indicators for identifying the least developed among developing countries^{a/}

<u>Countries with per capita gross domestic product at current market prices of \$150 or less in 1968</u>	<u>Amount in dollars of per capita gross domestic product at current market prices in 1968 b/</u>	<u>Percentage share of manufacturing in total gross domestic product at factor cost, latest available year c/</u>	<u>Percentage of literate population in the age group of 15 years and over, around 1960 d/</u>	<u>Percentage annual compound rate of growth of gross domestic product at constant market prices, 1960 to 1968</u>	<u>Amount in millions of dollars of total gross domestic product at current market prices in 1968 b/</u>	<u>Population in millions in 1968</u>
<u>Group I. Countries with a share of manufacturing in total gross domestic product of 10 per cent or less and a literacy ratio of 20 per cent or less</u>						
Rwanda	43	e/	10	2.6	146	3.4
Upper Volta	51	6	7	2.8	265	5.2
Burundi	53	4	10	2.6	180	3.4
Somalia	60	e/	5	0.4	170	2.7
Ethiopia	64	9	5	4.4	1,551	24.2
Malawi	69	8	15	2.8	294	4.3
United Republic of Tanzania f/	71	6	17	4.2	871	12.2
Laos	72	e/	15	2.7	202	2.8
Chad	73	4	7	2.1	252	3.5
Niger	89	6	1	5.1	340	3.8
Guinea	89	6	5	5.1	337	3.8
Dahomey	91	5	10	2.3	233	2.6
Mali	92	8	2	2.0	439	4.8
Botswana	106	8	20	5.3	65	0.6
Yemen	110	e/	10	...	550	5.0
Sudan	115	7	12	4.6	1,694	14.8
Gambia	129	e/	10	6.8	45	0.4
<u>Group II. Countries with a share of manufacturing in total gross domestic product of 10 per cent or less and a literacy ratio of more than 20 per cent</u>						
Nigeria	66	9	25	0.3	4,113	62.7
Burma	78	9	70	3.7	2,061	26.4
Lesotho	87	1	40	6.7	76	0.9
Indonesia	93	9	43	2.2	10,509	112.8
Uganda	95	8	25	3.9	772	8.1
Madagascar	117	5	35	2.2	759	6.5
Khmer Republic	121	10	41	-0.9	794	6.6
<u>Group III. Countries with a share of manufacturing in total gross domestic product of more than 10 per cent and a literacy ratio of 20 per cent or less</u>						
Nepal	82	11	9	2.5	872	10.7
Haiti	83	12	11	1.2	386	4.7
Congo (Democratic Republic of)	86	20	15	3.1	1,461	16.7
Afghanistan	91	11	8	2.2	1,473	16.1
Central African Republic	126	11	15	2.1	188	1.5
Pakistan	134	11	19	5.9	14,671	109.5
Togo	140	11	7	7.0	248	1.8
<u>Group IV. Countries with a share of manufacturing in total gross domestic product of more than 10 per cent and a literacy ratio of more than 20 per cent</u>						
India	85	14	28	3.5	44,453	523.9
Kenya	125	11	22	4.8	1,275	10.2

Source: Yearbook of National Accounts Statistics, 1969, Volume I (United Nations publication, Sales No.: E.71.XVII.2) and Volume II (Sales No.: E.71.XVII.3); Monthly Bulletin of Statistics, October 1970; Compendium of Social Statistics, 1967 (United Nations publication, Sales No.: 67.XVII.9); "Economic conditions in Africa in recent years" (E/CN.14/435); United Nations Educational, Scientific and Cultural Organization, UNESCO Yearbook, 1967; United States Agency for International Development, Economic Data Book; and the Centre for Development Planning, Projections and Policies of the United Nations Secretariat for some estimates based on data from national and international sources.

- a/ Three dots (...) indicate that data are not available or are not separately reported. Countries are listed, within each group, in the ascending order of their per capita gross domestic product.
- b/ For a number of countries, data for gross domestic product are either provisional or represent rough estimates. For Afghanistan, Lesotho, Nepal, Nigeria, Pakistan and Sudan, data refer to fiscal year 1968/69; and for Burma and Haiti to fiscal year 1967/68.
- c/ Afghanistan, India, Indonesia, Nigeria, Pakistan and Sudan, 1968/69; Congo (Democratic Republic of), Kenya, Malawi and United Republic of Tanzania, 1968; Burma, 1967/68; Burundi, Ethiopia and Uganda, 1967; Nepal, 1966/67; Botswana, Khmer Republic, Central African Republic, Chad, Dahomey, Guinea, Madagascar, Mali, Niger, Togo and Upper Volta, 1966; Lesotho, 1965/66; and Haiti, 1961/62. For Burma, Congo (Democratic Republic of) and Indonesia, data refer to the share of manufacturing in gross domestic product at market prices.
- d/ For Burma and Uganda, sixteen years and over.
- e/ Data not available, but assumed to be under 10 per cent.
- f/ Data refer to former Tanganyika only.

on the basis of their manufacturing ratio and literacy rate. In addition to the real growth rate in recent years, data for total gross domestic product and population are also shown as they provide a broad view of the total size of the economy or of the domestic market. The available information suggests that, with the exception of Gambia, all the countries listed in Group I (those which satisfy the criteria relating to both manufacturing and literacy) qualify for consideration as the least developed among developing countries. Thirteen of them satisfy the three main criteria (per capita gross domestic product, manufacturing ratio and literacy rate) unambiguously; these countries are Burundi, Chad, Dahomey, Ethiopia, Guinea, Laos, Malawi, Mali, Niger, Rwanda, Somalia, the United Republic of Tanzania and Upper Volta. Three other countries - Botswana, the Sudan and Yemen - are considered eligible in so far as their per capita gross domestic product, though exceeding \$100, is below the ceiling of \$120 and they do meet the two other main criteria. The per capita gross product of Gambia exceeds the ceiling, and the case for not including this country in the least developed classification is reinforced by the high rate of growth of its economy in recent years.

62. Of the seven countries in Group II (those which satisfy the manufacturing but not the literacy criterion), two, namely the Khmer Republic and Madagascar, can be ruled out as they do not satisfy the criteria relating to per capita gross product and literacy rate. Burma, Indonesia and Nigeria - all three comparatively large countries with a sizeable literate population and a manufacturing sector which is fairly close to the demarcation line of 10 per cent - have had special difficulties in recent years, and but for these they might not have appeared in this group at all; by virtue of these characteristics, they also have the potential to bring about a distinct change in the prevailing pattern. Thus, among the countries in Group II, only Lesotho and Uganda would appear to warrant consideration for classification as least developed.

63. Of the seven countries in Group III (those which satisfy the literacy but not the manufacturing criterion), the Central African Republic, Pakistan and Togo have a per capita gross domestic product and a manufacturing ratio in excess of the ceilings suggested, and these three countries can therefore be ruled out. While the per capita gross product of the Democratic Republic of the Congo is low, its manufacturing ratio is twice as large as the suggested ceiling, indicating that its industrial development is substantially ahead of that of many other countries; therefore, this country can reasonably be excluded from the least developed category. In Afghanistan, Haiti and Nepal, the manufacturing ratio is only somewhat in excess of the ceiling; and as these three countries satisfy not only the two other main criteria but also the supplementary criterion of a low rate of growth in recent years, they can appropriately be considered for classification as least developed.

64. The two countries listed in Group IV - India and Kenya - clearly do not belong to the least developed classification. Even though the per capita domestic product of India is less than \$100, it has, relatively speaking, both a large industrial base and a large pool of trained and skilled people and its total economic size is far greater than that of any other developing countries. 6/ The data for Kenya relating to all three main indicators fall outside the suggested limits.

6/ The industrial base of India is in fact larger than appears in the table; the figure for manufacturing shown there is affected by an under-utilization of capacity following an unusual recession which emerged in the wake of two disastrous agricultural crops.

65. Relevant data for the Maldives, Bhutan, Sikkim and Western Samoa are not available, but there is reason to believe that these countries merit inclusion among the least developed group. The absence of data for such countries is in fact a reflection of the low level of their development.

66. In the light of the foregoing discussion, the Committee suggests that the following countries could be classified among the least developed among developing countries: 7/

Africa

Botswana, Burundi, Chad, Dahomey, Ethiopia, Guinea, Lesotho, Mali, Malawi, Niger, Rwanda, Somalia, Sudan, Uganda, United Republic of Tanzania, Upper Volta;

Asia and Oceania

Afghanistan, Bhutan, Laos, Maldives, Nepal, Sikkim, Western Samoa, Yemen;

Latin America

Haiti.

67. In considering the special problems of the least developed countries, it is worth remembering that since they do not include such large countries as India and Indonesia, they account for only a modest proportion of the population of the developing world. 8/ Indeed, since in the excluded countries there are large masses of very poor people, it is also true that the least developed group includes only a minority of the poorest people of the developing world. Nevertheless, from the point of view of national and international development policy the least developed countries, as shown above, pose problems sufficiently difficult and distinct to warrant special consideration.

68. The Committee recognizes that the indicators on which the list is based are neither wholly reliable, nor sufficient in themselves to provide a complete picture. For example, literacy rates may be overestimated, owing to post-education reversion to illiteracy; and the manufacturing sector, if based mainly on a single industry having limited impact on the rest of the economy, may be a less significant indicator of development than would appear at first glance. Data, if available, on the size of the subsistence sector might throw additional light on the degree of development, as would data on import capacity and on other variables.

7/ The Committee has considered only States Members of the United Nations and the self-governing countries associated with them.

8/ The countries listed in the preceding paragraph had, together, a population of nearly 139 million in 1968, or about 8 per cent of the total population of the developing market economies of Africa, Asia and Latin America.

Calculations in terms of purchasing power parities, if feasible, might be a useful refinement. But the introduction of such refinements generally, with respect to all countries which are candidates for classification as least developed, must await further statistical development and research.

69. Although the list must therefore be regarded as tentative, the Committee nevertheless wishes to stress its belief that the list is valid. The Committee believes that by any set of classification criteria the countries included in this list would surely be considered as least developed. As stated earlier, the Committee recommends that whatever list of least developed countries is adopted for the Second United Nations Development Decade, it should be reviewed and, if necessary, revised on the occasion of the mid-Decade review. Moreover, the question of identification should be given further study within the United Nations system with a view to refining the scheme of classification and the related criteria.

70. The Committee reiterates that the existence of a general list of least developed countries for the Decade would not rule out the use of different classifications for special purposes. The Committee is of the opinion that in specific areas the competent organizations of the United Nations system and other intergovernmental bodies should elaborate their own criteria and procedures for identification and the appropriate measures needed within their respective fields of competence.

71. In the regional context, in particular, it is appropriate to adopt measures to help the relatively less advanced developing countries; the identification of countries for such treatment may well be based on criteria which differ from those recommended above for the general list. For example, Ecuador and Paraguay within the Latin American Free Trade Area, and Honduras within the Central American Common Market, while not qualifying as least developed among developing countries at the global level, since their per capita gross products exceed \$200, already receive some preferential treatment. The case for privileged treatment is even stronger with regard to Bolivia, since the per capita gross product of that country is quite low. The competent regional and national authorities are in the best position to devise measures to suit the conditions prevailing in their areas.

C. Special measures in favour of the least developed among developing countries

72. The major effort for removing the obstacles to the social and economic development of the least developed countries, no doubt, must primarily be made by these countries themselves. However, given their limited capacity in terms of physical resources and skilled manpower, and the immensity of the formidable tasks involved in organizing and managing their over-all national development, the international community has a special obligation to supplement the national efforts. It can contribute significantly by assisting with financial and technical means on favourable terms for improving the absorptive capacity of these countries, as recognized in the International Development Strategy.

73. The Committee wishes to stress that the implementation of the general measures addressed to all developing countries is of high significance for the least developed countries. It considers, however, that special supplementary

measures are needed if the least developed countries are to benefit significantly from these general measures. The Committee recognizes that the granting of special privileges to the least developed countries may appear to discriminate against other developing countries. But, given the peculiar conditions of the least developed countries and their consequently limited capacity to benefit fully from the general measures for all developing countries, failure to accord them these temporary but essential advantages would be tantamount to discriminating against them. The objectives of both sets of measures are, in fact, the same: the acceleration of economic and social progress and the general improvement of living standards.

74. The problems of the least developed countries should be approached in a balanced, comprehensive and concerted manner. A balanced approach - that is, country by country - is called for because no single policy package can be applicable to all these countries. Such an approach should not, however, preclude regional or multinational solutions to common problems. A comprehensive approach - that is covering both economic and social aspects - is required because, especially in these countries, social and economic problems tend to be closely intertwined, and the social and economic constraints on development equally intractable. A concerted - that is, co-ordinated - effort is necessary because, if the measures proposed are to have the greatest over-all development impact, both national and international efforts must be applied within the framework of an action programme with emphasis on project content and implementation. Given the commonly weak machinery for managing and administering development efforts in these countries, their capacity to co-ordinate aid receipts adequately is rather limited. Urgent attention is therefore needed to co-ordinate national and international efforts.

1. Technical co-operation

75. The basic objective of special measures should be to improve the capacity of the least developed countries to undertake an expanding range of development efforts. Measures should be taken to develop and improve public administration for accelerated economic and social progress. National financial institutions and services for tax administration should be developed and equipped to stimulate and promote a more efficient mobilization and utilization of scarce domestic and foreign resources. Reforms should be undertaken to improve the effectiveness of national planning machinery. An effective mode of assistance in this connexion from the United Nations system is the provision of international teams of experts to help strengthen national institutions concerned with plan formulation and implementation.

76. The critical shortage of all types of skills, very prevalent in the least developed countries, can be relieved in the long run only through national training programmes. Training should not be restricted to formal or vocational institutions, but should also include on-the-job training. Appropriate curriculum reform should be undertaken. Since most of the least developed countries cannot support adequate training facilities, other developing countries should facilitate the training effort of these countries by opening up their own facilities to them or by co-operating with them in the joint establishment of regional institutions and the sharing of experience on common problems.

2. Financial assistance

77. While technical assistance has an especially crucial role to play in the least developed countries, financial assistance is, of course, indispensable. The least developed countries' need to spend for infrastructural development exceeds their budgetary and resource capacity. Yet, a fundamental prerequisite of development is the existence of adequate infrastructure. For example, transport and communication links contribute significantly to the integration of the national market, thereby facilitating efforts to monetize the subsistence sector. They also stimulate economic development by bringing about administrative and economic integration, permitting greater mobility of men, products and funds, thereby promoting the production of goods and services. While most infrastructural services cannot be imported, neighbouring developing countries should help the land-locked, least developed countries by facilitating and guaranteeing their transit rights. A number of countries mentioned in paragraph 66 above are in fact land-locked countries.

78. In most of the least developed countries, the utilization of financial assistance would be more effective if it were more closely linked with technical assistance. For example, aid packages should include assistance in the planning, financing and implementation phases of projects and programmes.

79. The Committee wishes to stress that the principle applied in aid programmes, whereby aid flows are considerably influenced by the recipient country's ability to utilize aid effectively, should be interpreted broadly, in the light of the least developed countries' need for increased aid in order to improve their capacity to use it more efficiently. As the Committee emphasized in its last report, 9/ in connexion with criteria for allocation of financial transfers, it is particularly important to take due account of needs when implementing a development strategy for the least developed countries. The urgent need for infrastructural development and the long gestation period involved indicate the importance of ensuring that the volume, terms and conditions of financial assistance are appropriate. In this connexion, since the least developed economies belong to the group of developing countries which qualify, under the conditions of the World Bank Group, for the type of loan granted by the International Development Association (IDA) - fifty years maturity with ten-year grace period, free of interest but with a three-quarters of 1 per cent administrative charge - the flow of resources to IDA should be increased. As a rule, financial aid to these countries should systematically be given on soft terms, preferably by grants, or at least with a grant element of 80 per cent.

80. While the objective of financial and technical assistance has been to improve the absorptive capacity of the recipient economy, some of the rules and conditions governing such assistance have sometimes negated its very aim. With regard to technical assistance, the insistence on counter-part personnel for experts and the quick phasing out of projects with the consequent recurrent cost burden on the

9/ See Official Records of the Economic and Social Council, Forty-ninth Session, Supplement No. 7, E/4776 and Corr.1, para. 84 and 85.

recipient have sometimes led to new difficulties with regard to absorptive capacity. Even with food aid the requirement that recipient countries defray local transportation and distribution costs may have limited the ability of the least developed countries, especially the land-locked ones, to benefit from this type of aid.

81. In order to minimize the constraining effect of aid conditions and rules on the scarce skilled manpower and limited budgetary resources, the Committee recommends that donors give consideration to:

(a) Providing finance that covers both foreign costs and local costs of projects or programmes;

(b) Making rules and conditions governing counterpart obligations more flexible while stressing provision for training as part of the over-all national training effort;

(c) Financing maintenance of existing projects.

3. International trade and regional co-operation

82. The limitation of the national market of some of the least developed countries constitutes an important constraint on their prospects for expanding their production base. Special measures are thus necessary, especially with respect to these countries' exports of primary commodities, to increase their participation in international trade, both regionally and world-wide, and to stimulate their production for export. The Committee has noted in this connexion that important decisions have been taken by UNCTAD. Developed countries should also assist the promotion of the least developed countries' trade by supporting the establishment of regional institutions for improving the capacity of these countries to benefit substantially from regional co-operation. Improving the capacity of the least developed partners implies the adoption and implementation of concrete measures for an equitable location of regional or multinational industries in these countries. This will be especially important with respect to measures to counteract the polarization tendencies of such arrangements which work to the disadvantage of the least developed partners.

83. A regional approach to development should not be limited to trade co-operation. Institutions which might otherwise have been beyond the capacity of one small country could be shared to mutual advantage. The least developed countries and other developing countries should take decisive steps to establish joint institutions for specific problem areas. Multinational projects for agricultural research among countries located in the same ecological zone, technological and training institutes, tourist, industrial and investment promotional facilities, and information collecting and dissemination centres, are cases in point. Multilateral and bilateral donors should adopt a more systematic way of facilitating regional groupings. The existing regional institutions should be supported with financial and technical assistance to allow them to contribute effectively to the regional effort.

III. LONG-TERM PLANNING: EUROPEAN EXPERIENCE

A. Some general aspects of long-term plans and studies

84. European experience suggests a growing awareness of the need to extend the time-horizon in planning and programming. Long-term studies are intended to overcome certain limitations of short-term and medium-term planning. Some of the experience gained in this respect in Europe may be of significance also for the developing countries.

85. Long-term studies have certain characteristics which distinguish them from short- and medium-term plans. Their specific purpose is to achieve a shift in relationships reflected in existing economic and social structures, which cannot be radically changed in the short-term. Therefore, they tend to be broader in scope, embracing not only strictly economic but also technological forecasts, and in addition they seek to explore the social and human implications of technological and economic development. The long-term horizon is also better suited to overcoming the narrow boundaries of national planning and to considering development within a regional or even global setting.

1. Elements of uncertainty

86. Difficulties and constraints in developing satisfactory long-range planning concepts are connected with the many uncertainties which are inherent in any long-range approach. They also make the exploration of several alternatives and variants necessary. Short-term and, to a certain extent also, medium-term forecasts are usually prepared by assuming the continuance of empirical relationships prevailing between a set of variables during a past period. However, it can be safely assumed that at least some of these relationships will change radically in the long term.

87. The following patterns of development, for example, may undergo far-reaching changes: scientific discoveries and their technological application; technical input coefficients or capital-output ratios; the relative scales of tangible and intangible investment; the relative importance of what are sometimes called the productive and non-productive sectors; outlays for the conservation and renewal of the natural environment; sectoral, occupational, and skill distribution of labour; management and organization; proportions between individual and collective consumption; consumer habits and consumption patterns; relationship between work and leisure; the development of a higher degree of democratic participation in formulating the direction of progress desired; and the general mode of life. The difficulty seems to be in selecting those relationships and trends which may dominate future developments, and in estimating the speed at which they may supersede existing ones. The future paths of development are, therefore, bound to be a mixture of continuation and discontinuation of prevailing trends in accordance with the stage of development already reached.

88. It is further suggested that there is no unique predetermination of the future development and that long-term planning is meant to influence future development by selecting from possible alternatives those which are desirable, and devising measures which may help to divert the development path from blind alleys and pit-falls. The judgement which changes are desirable or undesirable tends to be made on the basis of existing value scales. However, it is not at all certain that a future generation which may have to live with the consequences of the decisions on long-term development made today will still have the same preference scales.

89. The accelerated advance of science and technology is another source of uncertainty about possible future developments. It has sometimes been suggested that various forms of technological forecasts may be a realistic approach in apprehending future developments and in reducing uncertainty in this field. However, the entry of unexpected future scientific insight and the multiplicity of possible variants of technological solutions opened up by it may undermine technological predictions even if they appear well assessed in the light of present knowledge.

90. Still another source of uncertainty is the development of economic conditions outside the forecaster's country. Some of these uncertainties can be reduced by internalizing the problems within a greater entity. From this root stems the need for co-ordination of national plans, as well as the elaboration of programmes on a regional basis. The experience of plan co-ordination, and of bilateral and multilateral consultation between the member countries of the Council for Mutual Economic Assistance should be noted. There has also been experience of the joint review of plans among west European countries, notably in the European Economic Community. On the other hand, evidence of danger of possible conflict between national planning and regional long-term objectives is also forthcoming. European experience with long-term planning suggests, moreover, that in developing long-term strategies, the interdependency in the economic development of the European developed economies and that of the developing regions of the world has not sufficiently been taken into account thus far. Some suggestions concerning harmonization of the industrial development of developed and developing countries are made in the next section of this chapter. It is also felt, however, that further intensive thought and research by all concerned, are necessary on this subject.

2. Concepts and methods

91. The Committee is in general agreement that concepts and methods applicable to long-term studies have to differ from those used in short-term and medium-term plans and programmes. In view of the long-term changes and shifts in structures and relationships that are likely to take place, the elaboration of closed, internally consistent models could hardly extend over a time horizon of more than about ten years. A more realistic approach may consist in the elaboration of forecasts for specific strategic sectors and areas where a faster than average growth is imperative, and where the implementation of decisions is committing the economy for a long time in the future. Preference should be given to a qualitative analysis of these sectors and areas which would concentrate on possible or desirable changes in the relevant technological, economic and social structures, with the aim of giving immediate decisions which may be required, a form that remains to some extent freedom of action for the future. The concentration of long-term research

on selected problems should not imply that each of them can be identified and analysed in an isolated way. Recognizing the impossibility of comprehending the future in full by developing an internally balanced and partly consistent image of the future economy or, even more, of future society should not detract from the need for a continuing search for coherence among the investigated areas.

92. At the same time, the importance of macro-economic studies needs to be stressed. Such studies are necessary to specify the over-all development targets that can provide the necessary framework for the more elaborate analysis of selected problems. These macro-economic studies are evidently concerned with economic growth which is still a central issue in long-term thinking. This is obvious for the developing countries but it is also relevant even for mature economies. There is no doubt a certain disenchantment about one-sided notions of growth for growth's sake, partly reflecting greater awareness of the costs and side effects of economic expansion. But the Committee believes that there is no virtue in renouncing the objective of growth in the hope of thereby improving the quality of life. Affluence is still limited to a certain proportion of the population even within the richest countries, let alone the great differences between the nations of the world. Structural changes are called for by new long-term goals, including those aimed at improving the quality of life. Such changes can be achieved only under conditions of sustained growth if catastrophic tensions are to be avoided. To some extent, therefore, the apparent conflict between the quantitative and the qualitative aspects is a false issue, since growth is in fact a prerequisite of social progress. But the concept of growth should be redefined and broadened to include those objectives which are characterized as improving the quality of life.

93. It is also suggested that sustained economic growth in both developing and developed countries creates the necessary precondition for expanding foreign trade, for facilitating international transfers of technology and for industrial co-operation between these countries. Such growth may also foster the spirit of international solidarity and reduce tendencies towards self-concern.

3. Growth objectives and patterns

94. Certain growth objectives and patterns which have emerged in the course of planning experience in Europe may reflect certain stages of economic development. An investment-intensive type of development may be characteristic of the period of industrialization in a developing economy if accelerated growth is the prime objective for further advance. Obviously such a growth model is quite justified at a certain stage of development, and there may be no alternative to it. The developing countries are increasingly concerned with the elaboration of policies conducive to increasing savings ratios and raising tax revenues required for financing development schemes and also reducing income inequalities. While such an investment-intensive type of development by definition imposes constraints on consumption, a sufficient increment in national output should also make it possible for consumption to increase in the process of development even if at a slower rate than productive investment. Certain constraints on consumption during such a period of industrialization will also be better understood by the masses if institutional settings are conducive to reducing glaring inequalities in income and wealth and to making unavoidable sacrifices more equitably distributed.

95. On the other hand, European experience suggests also that a growth model with perpetually rising investment ratios is bound to develop negative side effects if

the transition to a more balanced growth concept is not effected in time. At a higher stage of economic development, consumption assumes an increased role in the growth process. The strategic question is then to develop a growth path where optimal expansion of consumption over the entire period of the long-term perspective can be achieved. The increased role of consumption in the growth process has to be seen in connexion with new factors which come to the forefront only at a higher level of economic development, when a reversal of trends in capital/output ratios can be observed or expressed in a different way, a growing contribution of "disembodied" technical progress reflecting the increased role of science, education, management and organization. At the same time, at least in the market economies, the notion of the demand-creating role of rising consumption as one of the foremost factors for keeping up the volume of investment is widely accepted. However, also in the developing countries at an early period of industrialization the development of internal markets for simple consumption goods produced from local resources and with technologies of a labour-intensive type has considerable importance in the development process.

96. The great emphasis given to private consumption at the stages of economic development reached in the most advanced European countries (and some other highly developed countries, such as the United States of America) is now being vigorously questioned. Together with the social critique of "consumerism" other values and national goals come to the forefront in long-term thinking, and these find their expression in the increasing concern for the quality of life.

97. The improvement of the quality of life, however, is not meant to be a substitute for a continued increase in material standards which, even in the European setting, will still be a major objective for broad sections of the population in the foreseeable future. But this increase of material standards comprehends the need for a changing balance between private consumption and more collective goals. More emphasis is likely to be given to the broader, humanitarian, aspirations of society. In many countries, financial and particularly budgetary considerations create difficulties in realizing these aspirations. But as resources increase, the elimination of the adverse side-effects of economic and technological progress becomes not only more urgent but also more easily practicable. The social objectives then emerge: such as the conservation and renewal of the natural environment, a rational and healthy population distribution necessitating a better geographical balance of industry, a further expansion and improvement of the level of education and health of the population, the reshaping of transport systems to take full advantage of new technical possibilities, a striking improvement of the housing conditions of the entire population irrespective of incomes, as well as a new balance of work and leisure and a careful assessment of the human implications of technology which are all in the interest of the all-round development of man.

98. In the traditional frame of economic thinking about the allocation of scarce resources, all the measures envisaged mean a deflection of resources from the normal process of expanding output for private consumption and productive investment. In a less developed economy which has not yet developed sufficient resources, a premature emphasis on societal or collective goals may undercut economic development. Yet even at an early stage of development a careful selection of some of these societal objectives may contribute considerably to productivity of labour by improving the quality and utilization of the work force, as well as the objectives being desired for their own sake. For instance, a well-conceived

educational programme in a developing economy may improve the path towards equality of opportunity if considered in connexion with other measures aimed at the social causes of inequality.

99. At a high stage of development, however, these newly conceived collective goals, which inevitably create new opportunities for the development of man himself and his creative powers, may become in the future the precondition for further balanced growth and for the further advance of modern civilization. A careful analysis of the stage of development actually attained is indispensable when formulating long-term goals and objectives.

100. In conclusion, it should be stressed that actual experience with long-range studies in Europe shows that much stimulating thought has been given to this topic; nevertheless, only beginnings of a satisfactory long-range planning concept with adequate methods and organizational instruments are emerging.

B. Industrialization and foreign trade^{10/}

101. What can be learnt from the recent pattern of industrial development in Europe in framing a strategy of industrialization in the developing countries? What guidance does it give developing countries in choosing appropriate industries for development? How does the pattern of European development fit into the strategy of the Second Development Decade? A number of European countries, both in east and west Europe, have experienced rapid industrialization during the past two decades. It is true that most of these countries were already at a more advanced level of economic and social development, and had a more solid basis for industrial expansion including a larger potential market both at home and for export, than most of the developing countries in other continents now have. Nevertheless the gap is not so wide that no relevant conclusions can be drawn.

102. A major characteristic of European industrial structures is their growing similarity in terms of the proportions between the "major" branches of industry.^{11/} The pattern of industry appears to be moving towards convergence on a diversified and comprehensive structure, common both to the more fully industrial economies and also to the less industrialized. Yet some differences remain. In the less industrial European countries, the food processing, textiles and clothing industries still account for larger shares of industrial output than in the more advanced, and the engineering and chemical industries for smaller shares. But these differences have been diminishing and seem likely to continue to diminish. This is true of most of the smaller economies as well as of the larger ones. Among the more advanced countries, there are few which show evidence of specialization in particular major branches or of allowing others to decline; among the few may be noted Sweden with its intensive development of engineering and its falling share of textiles, and the running down of the British textile industry.

^{10/} The discussion on some industrial policy issues was assisted by a contribution from the United Nations Industrial Development Organization, which was incorporated in the paper submitted to the Committee by the secretariat of ECE (E/AC.54/L.38 and Add.1-3).

^{11/} By "major" branches is meant the division of industry into about fifteen to twenty branches.

103. However, this impression of convergence and similarity of industrial structures in Europe needs to be qualified. A second major feature of the more advanced economies is the development of specialization, and a corresponding development of international trade, within the major branches. This is evident from the high shares of both imports and exports of the products of the same branch - especially in engineering and chemicals and, to a less extent, in textiles. This pattern of international division of labour within industrial branches is found both in western and eastern Europe; in eastern Europe it is indeed an important aspect of the co-ordination of national plans through the Council for Mutual Economic Assistance. It does not, however, extend, for the most part, to the trade pattern of the less industrial economies of southern Europe, which still follows more the traditional "complementary" pattern (exchange of products of light industry against engineering goods or chemicals).

104. Experience in Europe suggests indeed that the pattern of trade dependence, in the course of development, may pass through three stages. In the first phase there can be little export of industrial goods and import requirements are met from exports of primary products. In a second stage, a fairly comprehensive industrial structure has been erected, largely on the basis of import substitution; industrial exports are concentrated on light industry whose products are exchanged against the increasing import of more sophisticated goods, mainly producer goods, required for the further expansion of the economy; this is the stage of "complementary" foreign trade now reached by several less industrial European countries. In a third stage - granted a high enough level of international trade - there is considerable specialization of output, and exchange of products, within each branch. Specialization of this kind is characteristic of the fully industrialized countries. Yet it can also be found in some countries which are still in a transitional phase: for example, in some of the less industrial countries of eastern Europe and also, in the west, in Ireland (partly no doubt because of the extensive foreign participation in its industrial development).

105. Especially for small developing countries, it may be important to find out the conditions and level of income, which justify an industrial development policy based on diversification (the second of the three stages). It is also important to know the conditions of advancing rapidly to the third stage - perhaps even avoiding any long drawn-out reliance on the import substitution policies involved by the second stage. The Committee suggests that studies aiming at more specific clarification of these issues should provide a better basis for the planning of industrial development.

106. This pattern of development of industrial production and trade is leading to a certain international integration which has naturally developed most strongly among countries within the European region. The familiar statistics of exports of industrial products from the developing countries show that the extent of their integration into the complex network of European industry is still disappointingly small - and indeed has recently exhibited a tendency to diminish proportionally. There are so far unexploited opportunities for trade expansion among developing countries themselves. But an expansion of the exports of developing countries to Europe remains highly desirable in order to widen the scope of the international division of labour and thus to expand and improve the production structure of the developing countries.

107. In this connexion, the Committee noted with interest the studies undertaken by the secretariat of ECE on the pattern of world trade. The continuation of such studies is most desirable and will in particular illustrate further the impact of trade policies followed by developed countries on their trade relations with developing countries. It is therefore hoped that the secretariat of ECE will intensify its work in this area.

108. It can hardly be expected that present lines of development within European industry will automatically lead to any marked or rapid acceleration of co-operation through trade with industries of the developing world. Two things are needed, in the Committee's view. The first is that the developed countries should put greater emphasis, in their own national plans and forward-looking industrial and commercial policies, on the deliberate promotion of co-operation with the growing industries of developing countries. The second is to promote greater assistance to this industrial development: through the extension of technological and economic information and of the facilities for the transfer of technology, and through the promotion of industrial co-operation, including assistance in exploring the possibilities of subcontracting arrangements of a kind which will give a basis for subsequent independent development. Firms in developing countries face considerable difficulties in availing themselves of adequate technologies, including methods which are little used, because they are unprofitable, in the conditions prevailing in developed countries. International organizations can play a helpful role here by developing contacts and discussions between Governments and industrial managements, by creating conditions and mechanisms for easing the access of developing countries to sources both of finance and of know-how, and by intensifying the flow of information on industrial conditions in both developed and developing countries. The Committee recommends that concrete approaches to these matters should be given appropriate attention.

1. The choice of industries and techniques for development

109. It is recognized that, broadly speaking, labour-intensive industries are more likely to offer comparative advantages in the developing countries and comparative disadvantages in the developed countries. This is not only because of competitive advantages in world markets but also because of the vital need to increase employment opportunities. In the conditions of most developing countries, where capital is scarce and labour in ample supply, a given investment would contribute most to over-all development objectives when a more labour-intensive activity can be chosen. However, this general principle must be applied in a flexible way. First, it hardly applies, at present, when large proportions of skilled labour are required (the development of industrial skills, "investment in human resources", is itself a capital-intensive activity). Second, capital-intensive development is essential for certain purposes - for example, to promote agriculture by production of fertilizers or certain kinds of food processing, or to develop mineral resources. Third, for many industries there is a variety of technologies with different labour contents, and within each "industry" there is likely to be a variety of more or less labour-intensive products; statistical data for European countries illustrates these points.

110. The identification of "labour-intensive" industries itself presents difficulties. Market prices of capital and labour may not correspond to their "social costs"; for various reasons, the price of capital goods to the entrepreneur may not reflect the scarcity of capital in a developing country, and the price of

unskilled labour available for industry may not reflect the national interest in promoting employment. In the same way, prices of industrial products in developed countries may reflect imperfect competition or the effects of protectionism so that the apparent labour content of production is under-stated by the usual statistics of wages in relation to added value. For this reason, as well as because of the variety of technologies, it is never easy to identify the degree of labour-intensity by looking at actual cost analyses. A strong case exists, therefore, for considering systems of taxes and subsidies which will act as incentives to managements to develop industries and production methods better adapted to the long-run interests of the economy and society.

111. The choice of technologies appropriate to the conditions in developing countries may allow for better conditions of production although in certain industries, especially in heavy industries, such a choice is limited, a wider range of possibilities exists in other branches. Moreover, it is frequently possible to increase the productivity of capital by utilizing equipment as fully as possible (work organized in three shifts, choice of multi-purpose equipments, repair and maintenance policy, etc.) and by refraining from mechanizing operations, such as handling within the plant, which can be done in a labour-intensive manner. Second-hand equipment may in certain cases be useful; but it should be pointed out that old-fashioned techniques, which require both more equipment and more labour than modern techniques, have no merit. Attempts at developing modern labour-intensive methods should be encouraged.

112. Small-scale enterprises are frequently numerous in developing countries. It is often difficult to organize them and to disseminate among them progressive technologies to increase their productivity and improve the quality of their output. Appropriate extension services to disseminate better techniques, incentives for the use of electric energy and small motors, centralized distribution of materials and semi-finished products, and subcontracting arrangements with larger firms have helped in certain countries, for instance in Japan, to increase the efficiency of small-scale enterprises and raise the general level of industrial skill.

2. Trade policies and industrial development

113. Industrial development cannot, however, succeed unless the scale of the potential market is sufficient. For many developing countries, the domestic market is clearly too limited for the introduction of a wide range of industries. It is, of course, recognized that the creation of export-oriented industries is not facilitated by the trade policies followed in many developed countries. Tariffs and quantitative restrictions are particularly high on textiles, leather goods and other light-industry products for which developing countries often have a comparative advantage. It may be argued that developing countries are thus led to commit themselves too deeply to import substitution policies which do not correspond to the best use of their resources and which may deprive these countries of possibilities for expanding exports.

114. Although developed countries may encounter difficulties in promoting measures to facilitate the necessary adjustments in their industrial structure, the Committee wishes to point out that such adjustments are highly desirable since they allow for a better allocation of resources in both developed and developing countries and hence are in the interest of consumers in developed countries, while permitting a substantial increase in productive employment in developing countries.

Special protective devices should be only temporary, and measures should be taken to facilitate the retraining of the workers concerned and their redeployment to other sectors of the economy.

115. But similar considerations apply also to developing countries. It has been noted from European experience that the tendency is to develop the complete range of industries even in small countries. There are plenty of indications that developing countries, as they reach a certain stage, are moving in the same direction; but there is little evidence that the process of intra-branch specialization, found among the more advanced industrial countries, has gone far. It offers possibilities for a more economic pattern of production - whether between developed and developing countries or among the developing countries themselves. But under present industrial and trade policies it is unlikely to come about spontaneously in the near future. The Committee believes that the co-ordination of industrial planning, and of the design of trade policies, needed for fuller intra-branch specialization deserves increasing attention.

3. The role of international corporations

116. Increasing attention is being paid to the importance of international firms in influencing the shape of developing economies and even of the developed economies themselves. International concerns have played a significant part in the introduction of modern methods, both of technology and of management, and have created new sources of export income. The risk lies in the lack of control, and in the weak bargaining power of Governments, especially in the smaller developing countries, in the face of the more powerful international corporations; their scale of operations, and, more important, their market power far exceeds that of many national economies. There is an obvious danger that the pattern of industrial development, so far as it is determined by the international corporations, will become excessively dependent on decisions taken outside the jurisdiction of the countries concerned.

117. The Committee is very much aware of the importance of this problem and also of various proposals that have been made for the establishment of some form of countervailing power or system of international control. The issue needs more information and study and the Committee proposes to consider the whole question in more detail on another occasion before venturing any specific conclusions.

IV. STRATEGY AGAINST MASS POVERTY

118. Although in general the historically unparalleled economic growth of developing countries in post-war years - compared both with their own past achievement and with the progress made by the economically advanced countries during the relevant historical phases of their development - has contributed significantly to raising average levels of output and consumption per head, large masses of people in these countries are still in the throes of acute poverty. Indeed, too often the process of development itself, and, in particular, the crowding of the populations into expanding cities which accompanies industrialization, has accentuated different forms of poverty: unemployment and under-employment, casual labour, poor diet, disease and intolerable living conditions. The excessive concentration of the benefits of economic growth within a few groups in a number of countries has led to dissatisfaction with the results of the growth process. That this was also the historical accompaniment of industrialization in some of the developed countries is no reason for accepting it as unavoidable. The examination of the European experience and of its relevance to developing countries conducted by the Committee at its present session has reinforced its belief in the validity of this conclusion. The Committee feels that a strategy against mass poverty is greatly in the world's interest.

119. The Committee believes that a serious attack on mass poverty can be made through the application of measures which are compatible with the process of growth or the impetus of development. Such an attack should be seen as determining the central strategy and design of economic and social development rather than as an issue needing only specific and peripheral measures of relief. The action programme of the General Assembly for the Second United Nations Development Decade is an important step forward. But the success of the programme requires that emphasis should be placed on concrete measures by which mass poverty could be properly tackled.

120. Fundamental to the conquest of poverty is a rapid expansion of employment opportunities. In certain cases, the increase in the level of investment is not accompanied by a commensurate expansion of employment. As was suggested in chapter III, sound industrial development may not always be compatible with the choice of the most labour-intensive techniques. Nevertheless, the Committee recommends that the criteria for the choice of industries should be widened to include the employment effects of industrialization.

121. Because manufacturing industry is unlikely to absorb great numbers of people for some time to come, it is all the more necessary that employment opportunities should also be sought in other sectors. Agriculture will remain the mainstay of the economy in many developing countries for a long time, and therefore the transformation and modernization of this sector warrant close attention. The Committee feels that not enough weight is given to the valuable contribution that can be made to employment expansion, for example, in agriculture and in construction work initiated by public authorities. Such activities as irrigation and drainage facilities, roads, slum clearance, low-cost housing and improvement of land and infrastructure by using, for instance, off-season farmers and

agricultural labourers can be so designed as to offer promising results in expanding both output and employment and in reducing under-employment as an integral part of the strategy against mass poverty. Moreover, often the direct import content of construction work is relatively small.

122. Admittedly, the creation of additional employment through public construction would set off an increasing tempo of demand for consumer goods. If the rising demand failed to be matched by increases in supply, particularly of basic goods, a number of imbalances could arise in the economy, including, in some instances, additional pressure on imports, with consequent implications for the balance of payments. However, it is the essential task of development planning to forestall such imbalances, and if they do occur, to eliminate them through suitable action.

123. As part of the planning process, the pattern of agricultural production should be so designed as to meet the increasing demand requirements for basic goods. Also, new job opportunities in construction works might facilitate efforts to increase agricultural productivity. For example, it seems logical that the reform of land-use, together with the irrigation and drainage facilities resulting from public construction activity, accompanied by suitable incentives provided by the Government, should improve the efficiency of agricultural production. Such additive activity is usefully reinforced, in the transitional phase, by food aid programmes. In industry, if the rising tempo of demand leads to fuller use of existing capacity in factories producing essential articles of mass consumption, this would be all to the good, since under-utilization of capacity has often been quite high in a number of developing countries. And where expansion of industrial capacity is warranted for increasing the supply of basic consumption goods, such as textiles, clothing, simple pharmaceuticals, or of agricultural implements, this too should be welcomed inasmuch as it contributes not only to the raising of the living standards of the masses but also to diversifying the structure of the economy. The limited economic size of the market is often, at present, a major obstacle to industrialization, but the expansion of the market and that of supply should be jointly planned. If the increase in the domestic production of basic goods is still inadequate to meet the increasing tempo of demand, the resulting pressure on the balance of payments of developing countries should be alleviated through appropriate measures on the part of the developed countries so that the drive against mass poverty is not slowed down.

124. Clearly, then, employment policy must be applied hand in hand with other measures to make a meaningful attack on mass poverty. Since a substantial proportion of the population of developing countries derive their income from agriculture, measures to increase agricultural productivity and to improve the distributions of incomes in the agricultural sector must play an important part in the attack on mass poverty. In addition to the role of basic goods which has just been touched upon, other elements also need to be brought into play. Especially important is the role of education and policies in favour of children, suitably designed to enable the masses to combat their poverty. So is the provision of at least elementary health services, free or subsidized. These are ways in which consumption levels can be made more equal.

125. If the strategy against mass poverty is to become the centre of the development endeavour, taxation policy in developing countries will need to be thoroughly re-examined and overhauled. It is easy to think of many taxes that are required to give meaning and content to such a strategy along the lines

briefly depicted above, but it is the exceedingly difficult problems of enforcement that prompt anxiety. This is one sphere where the validity of the dictum that objectives are meaningless without appropriate measures comes home forcefully. This is also an area where only the country concerned can help itself to undertake new and unconventional measures, however difficult they may appear at first sight and application.

126. The economically advanced countries too will need to steer away from conventional wisdom if the strategy against mass poverty is to have substance. The methods already being developed for taking a wider view of social costs and benefit need to be greatly elaborated and extended to embrace social objectives which are not quantifiable. To help translate into reality the strategy against mass poverty in developing countries, the more advanced economies will need to provide these countries with an enlarged flow of financial resources and in forms and on terms that are especially geared to fulfilling the challenging task.

127. The foregoing comments are only preliminary, and touch only a few issues. They have emerged not from a thorough examination of the problem, but as by-products of the discussions of the appraisals of progress during the Second United Nations Development Decade and of aspects of the European experience dealt with in chapters I and III. The comments have been included here since the Committee wishes to stress the urgency of a new direction for thinking on development problems. The Committee hopes to conduct a more thorough examination of the underlying aspects of the strategy against mass poverty at its future sessions. It also proposes to pay attention to the question of measuring progress in the reduction of mass poverty as part of its work on over-all appraisals of progress during the Decade.

V. ARRANGEMENTS FOR FUTURE WORK

128. In paragraphs 35 to 40 above, the Committee has indicated the modifications in its work that it considers appropriate in order to carry out the responsibility assigned to it by the General Assembly with regard to appraisals of progress made during the Second United Nations Development Decade. A specific proposal concerning the sessions of the Committee in 1973 is set out in paragraph 39 above. The Committee believes that it will also need to give some attention to the question of appraisals at its eighth session, to be held in 1972, in order to take into account the relevant decisions that may emerge from the fifty-first session of the Economic and Social Council and the twenty-sixth session of the General Assembly and to examine the progress of the preparatory work under way in the United Nations system.

129. The Director-General of the International Labour Office has cordially invited the Committee to hold its eighth session at the ILO premises in Geneva in order to discuss, inter alia, some aspects of the employment problems of developing countries. This is indeed an important subject, especially in the context of the strategy against mass poverty on which the Committee has offered some preliminary comments in chapter IV. The Committee therefore gratefully accepts the invitation, subject to approval by the Economic and Social Council, and hopes that appropriate arrangements will be made to hold the session during the first half of 1972.

130. Accordingly, the provisional agenda for the eighth session of the Committee consists of the following items:

- (1) Work relating to appraisals of progress during the Second United Nations Development Decade.
- (2) Employment policies for reducing mass poverty.
- (3) Other selected elements of the strategy against mass poverty.

131. The Committee had an exchange of views on the topics that might be discussed under the above-mentioned items of the provisional agenda. Under item (1) of the provisional agenda, the intention is to consider the preparatory work under way in the United Nations system towards meeting the requirements of the first over-all appraisal of progress, scheduled to be made in 1973. With regard to item (2), the Committee was informed about the studies being undertaken in the ILO that might be of interest. Members of the Committee also indicated the kinds of topics they would like to see discussed under this item. Under item (3) of the agenda, it is intended to confine attention at the eighth session to only one or two crucial aspects of the strategy against mass poverty. Other important aspects of such a strategy might be discussed at later sessions. Following the customary practice, the Committee has requested the Centre for Development Planning, Projections and Policies of the United Nations Secretariat to work out the details on documentation and other matters relating to the eighth session in co-operation with the ILO and other offices concerned.

132. As stated in paragraphs 16 and 32 above, the Committee has decided to convene a working group to examine questions relating to indicators of economic and social progress. It is intended to convene the working group in the latter part of 1971. The deliberations of the working group should help to throw light on some aspects of the preparatory work relating to appraisals of progress during the Second United Nations Development Decade (item (1) of the provisional agenda for the eighth session). The Committee believes that its work at the eighth session would be further facilitated if another working group could meet in advance of the eighth session to examine questions relating to employment policies and other selected elements of the strategy against mass poverty (items (2) and (3) of the provisional agenda). The documentation should be so designed as to help the working groups and the Committee as a whole to complete their work quickly and efficiently. The Committee has requested the Centre to make the necessary arrangements for these two working groups to be set up broadly along the lines of earlier working groups of the Committee.

133. The Committee also had a preliminary exchange of views on subjects which require study in the years ahead. Work on some subjects might be undertaken by certain members of the Committee, while studies or papers on some of the subjects might be commissioned from special consultants and research institutions. Such work should help to throw light on a number of important elements of the International Development Strategy for the Second United Nations Development Decade.

ANNEX I

LIST OF PARTICIPANTS

Members of the Committee

Mr. Gamani Corea, Deputy Governor, Central Bank of Ceylon, Ceylon

Mr. A. N. Efimov, Director, Economic Research Institute of the Gosplan, Union of Soviet Socialist Republics

Mr. Paul Kaya, Secrétaire administratif, Fonds d'entraide et de garantie des emprunts du Conseil de l'entente

Mr. J. A. Lacarte, Ambassador of Uruguay to Argentina

Mr. John P. Lewis, Dean, Woodrow Wilson School of Public and International Affairs, Princeton University, United States of America

Mr. J.H. Mensah, Minister of Finance and Economic Planning, Ghana

Mr. Saburo Okita, President, Japan Economic Research Center, Japan

Mr. Józef Pajestka, Deputy Chairman, Planning Commission, Poland

Mr. M.L. Qureshi, Special Adviser, African Development Bank

Mr. K.N. Raj, Professor of Economics, Delhi University, India

Mr. Jean Ripert, Directeur Général, Institut national de la Statistique et des Etudes économiques, France

Mr. Germánico Salgado, Member of the Executive Board of the Cartagena Agreement, Peru

Mr. Jan Tinbergen, Professor of Development Planning, Netherlands School of Economics, Netherlands

United Nations

Department of Economic and Social Affairs

Mr. Philippe de Seynes, Under-Secretary-General for Economic and Social Affairs

Mr. Jacob L. Mosak, Director and Deputy to the Under-Secretary-General for Economic and Social Affairs, in-charge of the Centre for Development Planning, Projections and Policies

Mr. Dallas H. Steinhorsen, Principal Officer, Centre for Development Planning,
Projections and Policies

Mr. Omprakash Talwar, Senior Economic Affairs Officer, Centre for Development
Planning, Projections and Policies; Secretary of the Committee

Mr. Omar Halim, Associate Economic Affairs Officer, Centre for Development
Planning, Projections and Policies

Economic Commission for Africa

Mr. J. Aiyegbusi, Economic Affairs Officer, Research and Planning Section

Economic Commission for Asia and the Far East

Mr. G.A. Marzouk, Chief, Regional Centre for Economic Projections and Programming,
Research and Planning Division

Economic Commission for Europe

Mr. J. Stanovnik, Executive Secretary

Mr. J. Royer, Director, Projections and Programming Division

Mr. C.T. Saunders, Director, General Economic Analysis Division

Mr. P. Carré, Projections and Programming Division

Mr. B. Levčik, General Economic Analysis Division

Mr. C. Kyuranov, General Economic Analysis Division

Economic Commission for Latin America

Mr. Francisco Azorín,^{a/} Chief, Economic Projections Centre

United Nations Economic and Social Office in Beirut

Mr. Taher Kanaan, Economic Affairs Officer

United Nations Conference on Trade and Development

Mr. J.I. Stone, Director, Research Division

Mr. S. El-Naggar, Deputy Director, Research Division

^{a/} Also representing the Latin American Institute for Economic and
Social Planning.

Mr. A. Lasso de la Vega, Economic Affairs Officer, Research Division

Mr. R. Uranga, Economic Integration Officer, Division for Trade Expansion and Economic Integration

United Nations Industrial Development Organization

Mr. F. Le Guay, Director, Industrial Policies and Programming Division

United Nations Children's Fund

Mr. Georges Sicault, Consultant

United Nations Development Programme

Mr. M. Mir Khan, Consultant to the Administrator

United Nations High Commissioner for Refugees (Office of)

Mr. Jacques Guénod, Inter-Agency Programme Co-ordinator

United Nations Institute for Training and Research

Mr. Richard Symonds, Representative in Geneva

World Food Programme (United Nations/FAO)

Mr. A. Dawson, Assistant for Planning to the Executive Director

United Nations Research Institute for Social Development

Mr. W. Scott

Specialized agencies

International Labour Organisation

Mr. N.N. Franklin, Economic Adviser

Food and Agriculture Organization of the United Nations

Mr. H. Quaix, Senior Agronomist, Policy Advisory Bureau

Mr. T. Lehti, Chief, General Analysis Unit, Economic Analysis Division

United Nations Educational, Scientific and Cultural Organization

Mr. H. Ben Amor, Division of Applied Social Sciences, Department of Social Sciences

World Health Organization

Mr. R. Pleic, Chief, Administrative Co-ordination

International Bank for Reconstruction and Development

Mr. Ugo Sacchetti, Economic Program Department

International Monetary Fund

Mr. Pierre Simonet, Assistant to the Director, Geneva Office

* * *

General Agreement on Tariffs and Trade

Mr. M.G. Mathur, Assistant Director General, Department of Trade and Development

Mr. H.W. Dittman, Assistant Director General, External Relations Section

Other intergovernmental organizations

Council for Mutual Economic Assistance

Mr. G. Olteanu, Deputy Director of the Department

Mr. I. Ikonnikov, Councillor

European Economic Community

Mr. Giorgio Bonacci, Economist

Organisation for Economic Co-operation and Development

Mr. F.G. Wells, Head, Economic Division

Mr. Francis Black, Consultant for Special Studies, Office of the Secretary-General

Organization of American States

Mr. Gerardo Schamis, Director, European Office

Mr. D. Chadwick Braggiotti, Deputy Director, European Office

ANNEX II

LIST OF DOCUMENTS

A. Documents of the Committee

<u>Symbol</u>	<u>Title</u>
E/AC.54/9	Provisional agenda
E/AC.54/L.36 and Corr.1	Special measures to be taken in favour of the least developed among developing countries: report of the working group of the Committee for Development Planning
E/AC.54/L.36/Add.1 and Corr.1-2	Supplementary information regarding identification of the least developed among developing countries: note by the Centre for Development Planning, Projections and Policies of the United Nations Secretariat
E/AC.54/L.37	Framework for appraising progress during the Second United Nations Development Decade: report of a working group of the Committee for Development Planning
E/AC.54/L.38 and Add.1-3	Long-term planning and long-term trends in Europe: paper submitted by the secretariat of the Economic Commission for Europe
E/AC.54/L.39	Some aspects of long-term planning in Europe: paper by J. Tinbergen, Member of the Committee
E/AC.54/L.40 and Corr.1	Identification of the least developed among developing countries: note by the Centre for Development Planning, Projections and Policies of the United Nations Secretariat
E/AC.54/L.41	Evaluation of performance (at the country level): paper by M.L. Qureshi, Member of the Committee

B. Other documents

A/RES/2626 (XXV)	International Development Strategy for the Second United Nations Development Decade
A/RES/2641 (XXV)	Review and appraisal of the objectives and policies of the International Development Strategy

B. Other documents (continued)

<u>Symbol</u>	<u>Title</u>
A/RES/2724 (XXV)	Identification of the least developed among the developing countries
E/4841 and Add.1-2	The developing countries in the 1960s: the problem of appraising progress (World Economic Survey, 1969, Part One)
E/CN.5/456	1970 report on the World Social Situation (Introduction)