INTERNATIONAL DEVELOPMENT STRATEGY FOR THE 90's

- A Working Paper

Gamini Corea

Dr. Gamini Corea was former Secretary General of UNCTAD and is currently Chairman of the Institute of Policy Studies.

GOALS AND OBJECTIVES

The principal aim of the Strategy is to ensure that the 1990s are a decade of accelerated and sustained development in the developing countries and of strengthened international cooperation. The decade should witness a significant improvement in the human condition in the developing countries and a reduction in the gap between rich and poor countries. It should be one in which ways are found for the world community to meet its needs without degrading the environment. The Strategy has also important social and political objectives. Development over the decade should enhance the participation of all men and women in economic and political life, protect cultural identities, and assure the needs for survival to all. The Strategy should help provide an environment that supports the evolution everywhere of political systems based on consent and respect for human rights and of systems of justice that protect all citizens.

The achievement of these fundamental aims require six interrelated goals. They are:

(i) A surge in the pace of economic growth in the developing countries.

(ii) A style of development which is responsive to social needs and environmental constraints and which promotes the development of human resources and skills.

(iii) An improvement of the international systems of money, finance and trade so as to support the development process.

(iv) A setting of strength and stability in the world economy and sound macroeconomic management.

(v) A decisive strengthening of international development cooperation.

(vi) A special effort to deal with the problems of the weakest and least developed countries.

These goals and objectives pose a big challenge. They call for serious and committed efforts by all countries. The developing countries themselves have the responsibility for the great efforts needed to mobilise the potential of their people, to modernise and diversify their economies, and to set themselves ambitious targets to build the foundation on which development rests: technical and managerial skills, industrial and agricultural capability, and effective government services. Human resource development entrepreneurship, and innovation, political freedom, and the energetic application of science and technology make essential contributions to growth. The Strategy has singled out a number of areas of special priority: the eradication of poverty and hunger, human resources and institutional development. population, the environment, and food and agriculture. The pursuit of goals in these areas call for resolute and vigorous actions and for styles of development which establish a mutually reinforcing relationship between rapid economic growth and social objectives.

The efforts of the developing countries will, however, be easily thwarted by an unsupportive external environment. They will be thwarted if sudden external shocks decimate their national product and external revenues, as happened to many of them in the 1980s. All countries live in the international economic environment but most developing countries remain imperfectly integrated in it and excessively vulnerable to its instability. Many are captives of the international debt

crisis, of the reduction in external resource flows, of sharply declining terms of trade, and of mounting barriers to market access. Great obligations fall on the industrialised countries which influence the international economic environment and the functioning of the international economy and are partners in international cooperation for development. Great obligations fall also on the system of international organisations to extend and fulfil their role in the promotion of development. Developing countries can only prosper in a stable and progressive world economy; and conversely the world community cannot find a safe and prosperous future unless economic, social, and political progress in the developing countries is assured.

The attainment of the aims of the Strategy calls for more than marginal increases of growth rates. The developing countries must be enabled to generate, progressively, the resources needed to ensure productive employment for a fast growing labour force, to overcome hunger, disease and ignorance and to raise living standards. The negative trends of the 1980s need to be reversed and conditions created for a kind of development that signifies a genuine transformation and does more than keep a growing population from the brink of famine. The time has come to move beyond adjusting to the shocks of the 1980s and to lay the foundations for a new wave of development. For most developing countries growth rates must accelerate significantly during the decade. Growth objectives will, of course, vary from country to country. For the relatively few countries where growth in the 1980s had been satisfactory, the aim would be to consolidate progress and ensure that it is sustained. In the many countries where growth was interrupted the first requirement is a return to a path of expansion where economic growth does not merely keep pace with but well exceeds the growth of population. In the second half of the decade the foundations for higher rates of growth should have been established. Only a high and sustained rate of growth of the order of 7 per cent or more will provide the conditions for a genuine transformation of the economy with rapid increases in productive employment and poverty eradication and generate the resources needed for the protection of the environment.

Higher rates of growth in developing countries will reflect progress in the several sectors of the economy and in the pursuit of social and other goals. The Strategy does not seek to establish comprehensive and interrelated sectoral targets to be attained by the developing countries as a whole. It is not a detailed plan based on centralised decision making at the international level. But the many elements of the Strategy have been addressed in the various parts of the United Nations system. They cover, among others such areas as employment and health, women and children, industry and technology, agriculture and food, population, education and culture, shelter and settlement, telecommunications, transportation, and the environment. Sectoral strategies and plans have been agreed upon by governments collectively, and several of these contain specific and quantitative targets for significant achievements during the coming decade. Translated into goals and objectives for both national and international efforts, ambitious and feasible targets of this kind have proved valuable in focussing policies and in monitoring progress. They also serve as reminders of the progress that can be achieved within a decade with strong political commitment and dedicated efforts.

The Strategy must look beyond the constraints of the moment. A decade is not enough to work miracles, but a true decade of development would make a great difference to the world situation on the eve of the next century. Serious development problems would still persist, but the debilitating deadlock of the recent past would have been broken for many developing countries. Their living standards would be rising instead of falling, the young generation would find employment instead of being condemned to a desperate scurry for survival, and poverty and hunger would be pushed back instead of advancing. Revived investment would lay the foundation for growth in the next century and the energies and talents of the people in the developing countries would be harnessed for building their own future. The world as a whole would be safer and more prosperous than if present trends continue. A continued development failure in the next decade would be an invitation to world wide disorder.

POLICIES AND MEASURES

The policies and measures needed to support and realise the Strategy must reflect the urgency of its goals and objectives. They must aim at the acceleration of growth and give attention to issues of special priority in the development process, and respond to special situations, including those of the least developed countries. In each area there are important policies and measures that need to be adopted in a national context, by the developing countries themselves. There are equally important policies and measures that have to be adopted by the developed countries in the context of international cooperation for development. The international community as a whole must also strengthen the systems that support the sound workings of the world economy and the development process. The International Development Strategy is thus of relevance to all countries which must

commit their best efforts to pursue its goals within the limits of their abilities and responsibilities. The Strategy does not require unrequited sacrifices on the part of any countries. To the extent that public resources must be used in the pursuit of its goals they represent investments in a better future world. investments that are strikingly modest by the standard of present defence budgets.

The reactivation of development 1

Economic policy frameworks, external debt, development finance, international trade, commodities.

The reactivation and acceleration of development requires both a dynamic and supportive international economic environment and determined policies at the national level. It will be frustrated in the absence of either of these requirements. The policies and measures needed for the 1990s must therefore cover both aspects. A vast improvement in the external economic environment is crucial. The development process will not gather momentum if the global economy lacks dynamism and stability and is beset with uncertainties. Neither will it gather momentum if the developing countries are weighed down by external indebtedness, if development finance is inadequate, if barriers restrict access to markets, and if commodity prices and the terms of trade of developing countries remain depressed. The record of the 1980s was essentially negative on each of these counts and needs to be reversed. The policies and measures needed to create an international environment that is strongly supportive of national development efforts in the 1990s are thus a vital part of the Strategy. Their main elements are set out below.

The economic policy framework

A surge in development during the decade of the 1990s can only take place within supportive frameworks of overall economic policy, both national and international. The sound macro-economic management of the world economy is of paramount importance. The major industrialised countries which broadly determine the international economic environment by their policies have a special responsibility to bring about a stable and predictable international economic environment in which development can succeed. The adverse development environment of the 1980s was largely a consequence of restrictive policies aimed at combating inflation at the expense of growth. By pursuing policies that promote vigorous non-inflationary growth and structural change in their economies, the industrialised countries will strengthen world trade and international demand. This would contribute to stable and improved terms of trade for developing countries and support policies that enlarge market access and the flow of long term capital to the latter countries. It would also make it easier to avoid and resist the pressures for protectionism and for restraining aid budgets that emerge in situations of unemployment and economic stress.

The macro-economic policies of the developed countries, and their coordination, should take more credible account of the interests and concerns of the developing countries. During the 1980s the developing countries were seriously affected by increases in real rates of interest and by frequent fluctuations in key exchange rates. Multilateral surveillance should become more effective and aim at correcting or stabilising external and fiscal imbalances that have been among the major causes of these problems. Such surveillance should also be adapted to have a positive impact on the development process.

The economic policy framework of developing countries helps to shape the national environment for development and will need to take account of the objectives, priorities, and particular circumstances of each country. But the acceleration of development will require strenuous effforts on a number of fronts. There is a need for determined policies that aim at increasing domestic savings and raising investments as well as at improving the returns to investment. National policies must succeed in containing inflationary pressures which often have adverse economic and social consequences that prove disruptive of development. This calls for monetary and fiscal discipline to promote price stability and external balance and the maintenance of realistic exchange rates without the need for the repeated currency depreciations that have often had adverse consequences on social stability and the terms of trade of developing countries.

National policies must also be directed at mobilising all the latent energies and impulses for development within the developing countries, at promoting efficiency in the allocation of resources, and at taking advantage of the opportunities for trade, investment, and scientific and technological progress provided by a changing global economic environment. The role of the public sector in the development process is essential but impediments to progress caused by bureaucratic inefficiencies, strains on the administration and excessive controls need to be removed. The policy environment should, within the context of national goals, encourage a creative contribution from the private sector, stimulate entrepreneurship and innovation, and promote the participation of men and women at all

levels in the development process. It should provide scope for the operation of market forces and for realistic pricing wherever these are a means to greater efficiency and soundness in the allocation of resources. The national policy framework should also enable developing countries to take full advantage of the opportunities of international trade and foreign investment as well as promote cooperation among themselves. The effectiveness of national policy frameworks would be enhance in a setting of improving political institutions and legal systems and declining military expenditures.

External debt

For many developing countries, the reactivation of development would not take place without an early and durable solution to the problem of external indebtedness. The burden of debt service payments on these countries has led to a contraction in imports, investment and consumption which has imposed severe constraints on their ability to accelerate growth and combat poverty. The debt crisis has resulted in a net transfer of resources from the debtor countries. This needs to be stemmed and reversed. Development during the decade of the 1990s should not be hampered by a continuing crisis of external indebtedness. Solutions need to be found and relief obtained in the initial years of the decade.

The resolution of the debt problem requires a reduction in the stock of debt and debt service liabilities on a scale large enough to allow for the resumption of growth which is also a condition for the renewal of the credit worthiness of the debtor countries. The recent international initiatives to reduce the stock of debt and to provide debt relief to debt distressed developing countries should be vigorously pursued with a view to ensuring that the resulting scale of debt relief is sufficient to enable these countries to attain an adequate rate of economic growth.

A solution to the debt problem is the joint responsibility of debtor and creditor countries, commercial banks and multilateral institutions. The external debt burden arises out of several kinds of debt, commercial as well as official. Creditor governments should endeavour to facilitate the reduction of external debt on a realistic basis that would permit the resumption of growth and the prompt restoration of credit worthiness. The international financial institutions should endeavour to ascertain the requisite debt service reduction and commercial banks should be provided with the incentives and disincentives needed to assume the burden thus assessed. The creditor countries should review their tax policies and regulatory and accounting practices in order to reduce the obstacles that are hampering debt and debt service reduction operations.

The bilateral official debt of the least developed and the poorest countries should be written off. The flexibility of the negotiations mechanism of the Paris Club should be increased and there should be a widening of the criteria of eligibility for debt relief and of the scope of the Toronto initiative for dealing with the debt problem. Steps must also be taken to relieve the external debt burden of middle income countries whose debts are owed mainly to official creditors.

The external debt of the developing countries includes debts owed to multilateral institutions. Means must be found to relieve the burdens that arise out of such debt in ways that safeguard the high standing of these institutions in financial markets.

The Strategy recognises the close interrelationship between the external debt problem of the developing countries and the global economic environment. The debt service burden is aggravated by rising interest rates, declining terms of trade, shrinking flows of external resources, and protectionist barriers to trade. The objective of a marked improvement in the global economic environment is thus an integral part of a successful approach to the debt problem and of the need to avoid its proliferation among countries that have hitherto avoided its disruptive consequences.

Development Finance

Adequate resources, both domestic and external, are an essential condition for the reactivation of development. The developing countries need to mobilise domestic resources to the largest extent possible and to implement determined policies and measures towards this end. In the case of most developing countries domestic savings contritute by far the larger part of the resources utilised for investment.

However, it is of the essence of the development problem that countries that are poor have limited scope for increasing savings by restraining levels of consumption that are already low. The savings effort of the developing countries need, therefore, to be supplemented by external resources so as to raise investment to the levels needed for adequate economic growth.

Furthermore, the development process is generally dependent on the flow of imported goods and services that are needed for the growth of the economy. Where export earnings fall short of import needs the development process would be frustrated in the absence of supplementary flows of external resources.

The international economic environment of the 1980s did not favour

the flow of external resources to developing countries. Falling commodiy prices and protectionist trends weakened their earnings from exports, whilst the flow of development finance was impeded by constraints on aid budgets in the donor countries and the virtual cessation of commercial bank lending in the wake of the debt crisis. Towards the latter part of the 1980s the net flow of resources to developing countries turned negative because of the burden of debt service payments. This trend was further compounded by losses incurred by developing countries on account of deterioration in the terms of trade.

These trends have to be reversed in the 1990s if development is to be accelerated. A surge in the tempo of development is virtually unimaginable if the flow of external resources is from the poorer to the richer countries rather than vice versa. This would make meaningless the concept of a decade of development endorsed by the international community. The new consensus on the need for a reactivation of development and on the priorities of development policies calls for a new commitment on the part of the international community to augment the flow of development finance to the levels needed to attain these agreed goals.

A reduction in the burden of debt service payments as discussed earlier is an essential requirement for reversing the negative trends relating to the flow of external resources for developing countries. But there must also be significant improvements in the flow of finance for development from the major sources of such finance i.e. official bilateral assistance, commercial bank lending, direct private investment, and the multilateral financial institutions. Such improvements, when taken as a whole, should be adequate for the requirements of develpoment finance in the 1990s. Only to restore a positive net transfer to the developing countries, in a foreseeable future within which no substantial flows of commercial credits can be expected, net official flows of loans and grants from all sources, which remained virtually constant at $35 billion in the 1980s, should grow at least by 15 per cent a year in the first half of the 1990s.

Economic reforms and the integratiop of Eastern Europe and the Soviet Union into the world economy will generate substantial new demands for financial resources. This enlargement of the international division of labour will be to the benefit of all, but such needs should be met without diversion of the flows needed by developing countries.

Official development assistance (ODA) must remain an essential source of concessional aid to the developing countries, particularly the poorest and the least developed. Aid programmes of donor countries have in many cases remained at low levels and need to be substantially improved in the 1990s. Official development assistance from ODA countries have on average remained at only half of the internationally agreed target of 0.7 per cent of their GNP. This target, as well as the target of 0.15 per cent of GNP for the least developed countries should be reached and surpassed in the 1990s. There should also be continued improvements in the quality of aid as well as in its utilisation. The release of resources from disarmament and the return of the O.E.C.D. countries to a path of sustained growth should ease the budgetary constraints of donor countries whilst rising concerns about the environment and world poverty provide new opportunities for development cooperation.

New possibilities for increasing the flow of development finance in the 1990s should also be explored. These include proposals for devoting part of the resources released from disarmament to development and for recycling, through suitable mechanisms and modalities, a part of the continuing payments surpluses of major developed countries to meet the need of developing countries for external resources.

Commercial bank lending has ceased, in the aftermath of the debt crisis, to be a major source of development finance. However, a resumption of commercial bank lending is relevant both in the context of solutions to the debt problem and of the needs of the developing countries, particularly those that are not recipients of significant concessional aid. The reactivation and acceleration of growth and an improvement in the global economic environment will help restore confidence in the creditworthiness of borrowing countries. But innovative changes would also be needed to evolve instruments of lending that help cushion borrowing countries against a recurrence of debt service problems.

Foreign direct investment, which is not generally debt creating, could play an increasingly important role as a source of development finance particularly when international trade is growing and markets are expanding and new opportunities are opened up by scientific and technological developments. Transnational corporations are already channels for technology transfer, world trade and marketing. Many developing countries are seeking, to the extent compatible with national objectives, to establish a positive investment climate and to adopt appropriate investment codes. An international understanding between host and parent countries on a regime that would encourage private capital flows has been sought for a long time and should be achieved as early as possible in the coming decade.

The need for development finance is unlikely to be met, however, exclusively through the channels of ODA, commercial bank lending and direct private foreign investment alone. The multilateral financial institutions, therefore, could and should play a major role in the 1990s in the finance of development. Their resources, however, have been falling behind the growth of the world economy and especially behind that of the world capital markets. The net lending of the World Bank and regional development banks was, by the late 1980s, negligible or negative for a large number of developing countries. These institutions should be enabled to serve the role of intermediation between developing countries and the international capital market for which they were designed. Their resources need to be expanded while, at the same time, the conditionality associated with the use of resources should be realistic and in accordance with the need to ensure utilisation by recipient countries. In this way, the multilateral financial institutions could play a major role in development finance and structural change for which their unique organisational capacity qualifies them.

The international monetary and financial system must evolve in the 1990s and respond to the needs of a changing world. It should become an increasingly important source both of development finance and of international liquidity. It should provide greater stability and predictability in exchange rates and developing countries should have greater influence in decisions that affect them vitally.

International trade

The goal of reactivating development requires a strongly supportive environment for international trade in general and the trade of the developing countries in particular over the decade of the 1990s. The international trading system is the pillar of an interdependent world economy and should establish conditions of openness and fairness in the interests of all countries. Growth and development and the solution of the pressing problems facing the developing countires are dependent on an open and credible multilateral trading system based on the principles of non-discrimination and transparency. Outward looking development policies and export-based industrialisation would not succeed if export markets are limited by restrictive barriers. The international trading system will function best in an environment of growth and dynamism in the world economy, an environment to which the system itself will contribute. But it needs to be strengthened further in the 1990s by specific actions and measures.

Policies and measures in the area of international trade must be directed, in the first place, at arresting and reversing trends, particularly apparent during the 1980s, towards the erosion of the multilateral trading system as a result of unilateralism, bilateralism and protectionism. The international organisations in the field of trade should be strengthened to play their part in the achievement of this objective. Many new issues that reflect the changing nature of the world economy are pertinent to the evolution of the international trading system. But the strengthening of the trading system also requires the resolution of a number of on-going issues some of which are of special interest to developing countries and are crucial to the development process.

The acceleration of development in the decade of the 1990s should be supported by the following actions and measures in the field of international trade:

(a) A full and effective implementation of the commitment to halt and reverse protectionism as undertaken in the Punta del Este Declaration. The protectionist trends of the 1980s had an adverse impact on the world economy and on the development process and performance of the developing countries and should not continue into the 1990s. The increasing recourse to non - tariff barriers of various kinds, affecting the exports of developing countries, was a particular feature of such trends.

(b) A sustained improvement in the access of developing country exports to the markets of developed countries through the reduction and removal of tariff and non-tariff barriers. This should be accompanied by rapid structural adjustment in the developed countries that would facilitate market access for the growing export capabilities of developing countries that arise in the course of their economic transformation. The rules of the international trading system recognise the need for differential and favourable treatment of developing countries and this need must be reflected in the functioning of the system.

(c) Liberalisation of trade in tropical products and natural resource products. This should include the removal of the escalation in tariffs on processed primary products.

(d) Bringing trade in textiles and agricultural products under the purview of normal Gatt rules.

(e) The improvement of the Generalised System of Preferences (GSP) specially through the expansion of product coverage, duty free treatment, and adherence to the principles of non-reciprocity and non-discrimination in its application.

(f) Measures to ensure that regional economic integration and the formation of trade blocs would

not impede the growth of world trade and are in conformity with Gatt rules. In particular, it is necessary to ensure that such developments do not result in additional barriers or constraints to developing country exports.

(g) Strict respect for and adherence to the rules and principles of the Gatt.

Developing countries should endeavour to liberalise their trade regimes in ways consistent with their development objectives so as to improve the efficiency and flexibility of their economies and their participation in the world economy. They should create trade opportunities among themselves and promote more rapid industrialisation, in particular through the effective implementation of the Global System of Preferences (GSTP). There is a great potential for economic integration among developing countries and new efforts should be made during the 1990s to establish effective subregional and regional market arrangements among them.

The successful conclusion of the Uruguay round, which aims at strengthening of the international trading system, is crucial for progress in the 1990s. The treatment of new issues, hitherto outside the scope of the rules of the system, should take account of the development dimension and of the need for developing countries to build up their own capabilities in areas of strategic importance. The dialogue and negotiations about required improvements in the international trading system should be continued and expanded in the 1990s. The dialogue should focus, ***inter alia*** on an equitable balance of interest between developed and developing countries, the adaptation and reform of the system to ensure its relevance to the changing patterns of international trade, and the need to ensure greater coordination between international trade and financial policies.

Commodities

The terms of trade of the developing countries are an important aspect of the international economic environment for development. The sharp decline in commodity prices and earnings of developing countries from commodity exports was an important element in the slowing down of the development process in many developing countries in the 1980s. Technological change played some part in depressing the long term trend of demand for certain commodities. But slow growth and instability in the world economy and persistently high supplies were factors of critical importance. Commodity exports will continue to play a key role over the 1990s in the economies of most developing countries and will remain crucial to their export earnings and livelihood. For these countries, the reactivation of development during the decade will prove difficult if not impossible in the face of continued weakness in their commodity sectors and terms of trade. The Strategy for the 1990s must therefore aim at making commodity markets function under more stable, transparent and predictable conditions.

There is scope for improving international commodity policies in a number of ways.

The Integrated Programme for Commodities sought to improve the functioning of commodity markets through commodity agreements between producers and consumers with support from the Common Fund. The negotiation and renegotiation of such agreements proved difficult in the turbulent world economy of the 1990s and a number of existing agreements broke down. There has since been hardly any lasting improvement in most commodity markets and the need for remedial actions remains urgent. It is in the nature of commodity markets to give rise to misleading signals to producers and consumers which result in under investment or over investment. Commodity agreements between producers and consumers which improve the stability and functioning of markets benefit both producers and consumers and should be negotiated or renegotiated in the 1990s. Use must be made of the facilities of the first window of the Common Fund that was established for the specific purpose of supporting international commodity agreements.

The diversification of the economies of developing countries and their increased participation in the processing, marketing and distribution of their commodities should also be the subject of policies and measures to be undertaken during the 1990s. The Common Fund for Commodities should be effectively used in this regard, specially for technical assistance and for horizontal and vertical diversification in the context of commodity specific programmes. The diversification process should also be supported through the provision of improved market access for primary and processed commodities. Cooperation among developing countries could also play a significant role in the processing, transportation, and marketing of commodities.

Compensatory financing is an important means of cushioning developing countries against commodity related shortfalls in export earnings. Existing compensatory financing schemes, particularly the Compensatory Financing Facility of the IMF, should be strengthened, specially through the restoration of their counter-cyclical function as well as through greater automaticity and an increase in allowable drawings.

The reactivation of development 2

Science and technology, industrial policies and measures, agriculture

A solution to the debt problem, adequate resource flows, a supportive environment in the areas of international trade and commodity markets are among the prerequisites for the reactivation of development during the 1990s. But a sustained acceleration of the development process will not take place unless developing countries modernise and transform their industrial and agricultural sectors and participate in the progress made possible by advances in science and technology. National policies in these areas must reflect the objectives, priorities, and particular situations of countries. But many issues have strategic aspects that are widely relevant. These are set out in the sections to follow as a guide both to national efforts and to the support that is possible and needed through international development cooperation. In virtually all areas of effort there is scope and need for supportive financial and technical assistance from donor governments, multilateral lending institutions and international agencies. There are also possibilities and requirements for cooperation among developing countries.

Science and Technology

The reactivation of development of the decade of the 1990s on a sustained basis would be closely related to the ability of the developing countries to participate in the rapid advances in science and technology that have characterised the global economy in recent years and will continue in the future. Knowledge is today a crucial determinant of economic progress. The knowledge gap between the developed and developing countries has been widening and policies and measures are needed to help narrow it over the coming decade. High priority must therefore be given to raising the capacities and capabilities of the developing countries in this area.

Development and modernisation in a setting of rapid advances in science and technology call for the establishment and strengthening of scientific cadres and for upgrading the skills of the work force. Developing countries should in their plans and policies emphasise policies and measures that enhance their scientific and technological capability and devote adequate resources towards this end. Such policies must range from the expansion and adaptation of their educational systems including vocational education to the building up of scientific and technological research and development capabilities.

Policies and measures in this field should seek to enhance the capacity of developing countries to utilize scientific and technological developments from abroad as well as to modify and adapt these to suit local conditions. Such policies should also aim at traditional technologies which are also capable of being developed as a means of raising productivity.

Building the scientific and technological capability of developing countries calls for external assistance in research and development, in the establishment and strengthening of institutions in the area of science and technology, in the diffusion of new technologies and in the training of scientific cadres. Discriminatory barriers to access to science and technology for developing countries should be removed. Commercial channels for the import of technology, including direct foreign investment, are specially relevant and should be utilised on suitable terms and conditions. At the same time the scope for non-commercial and concessional access to technologies for developing countries should be enlarged as much as possible.

The international community should also review the ways in which the intellectual property system can become a more effective instrument for the economic and technological development of all countries, particularly the developing countries. Work on the United Nations Code on the transfer of Technology should also be completed.

There is considerable scope for cooperation among developing countries in the development of science and technology. The developing countries could help each other by the establishment of common institutions and centres for research and training, by the offer of facilities for education in science and technology among themselves, by the exchange of information and by the pursuit of joint projects of technological research. Science and technology must be given a prominent place in schemes for cooperation among developing countries at the global as well as at the regional and sub regional levels.

Industrial policies and measures

An acceleration of the process of industrialisation must be a crucial element in the economic transformation of most developing countries and in the reactivation of development in the 1990s. Given the limits to agriculture as a means of providing increased employment and additional external earnings, industrialisation becomes indispensable for sustained economic growth and social development. It is also through industrialisation that developing

countries could make use of the opportunities provided by advances in science and technology and by international markets. Policies and measures to promote industrialisation must thus be a major plank in the Strategy for the 1990s.

Some notable exceptions apart, manufacturing industry stagnated in many developing countries during the 1980s. These countries experienced a chronic underutilisation of existing industrial capacity, a lack of maintenance, import constraints and technological obsolescence. These problems were at times compounded by mismanagement. For these countries the rehabilitation of their industrial sectors and an end to the underutilisation of capacities must be objectives of priority. The rate of industrialisation will obviously vary among countries but for many countries, and specially for those where manufacturing industry was set back in the 1980s, the objective should be to raise it significantly, say to 8-10 per cent.

Industrial progress requires investments directly related to increasing manufacturing capacity. It is also dependent on an improved and modernised infrastructure in such areas as communications and transport, power, and banking and finance. It is dependent too on a supportive policy framework in the fiscal and monetary fields. Not least, it is crucially dependent on managerial and technical skills and on a trained and efficient workforce. Industrial development must also make use of linkages with other sectors of the economy, particularly the rural sector which could supply both materials and markets for industrial growth. These subjects must form an integral part of the policies and measures that developing countries need to take for industrial progress during the decade. But there are also certain other major issues of policy that are central to faster progress in industrialisation and that may call for new orientations. These are broadly outlined below.

One such issue concerns the relative roles of the public and private sectors. In the past many developing countries anxious to speed up industrialisation and faced with a weak and inexperienced private sector sought to establish manufacturing enterprises owned and run by governmental entities and enjoying a high degree of protection. Experience has shown that there could be limitations to such an approach particularly when administrative capacities are strained. State run enterprises could be hampered by political and bureaucratic rigidities and inefficiencies and lack flexibility, competitiveness and innovative power. The capabilities of the private sector have grown in many countries and there is considerable scope for enhancing the contribution that private enterprise could make to a dynamic process of industrialisation. Entrepreneurship should be encouraged at all levels for the setting up of industries. There is usually a strong potential for the development of medium and small scale industries that could also contribute to enlarging both urban and rural employment opportunities. When industries are under public ownership, efficiency should be improved through measures that increase their flexibility and their ability to respond to changing conditions.

Another issue is that of industrial production for exports against pro duction for the domestic market and import substitution. The establishment of industries supplying domestic markets is desirable because of market proximity, linkages with other sectors, and reduced dependence. But there are often limits to the scope for import substituting industries, particularly where markets are small. In these cases policies based excessively on import substitution supported by highly protective barriers result in high cost and inefficiency. Production for export is a means of overcoming these limitations. It becomes a virtual imperative where the scope for additional agricultural exports is limited. It is also a means of keeping step with technological progress and of closer integration with global markets since exports call for efficiency and competitiveness.

The goal of industrialisation calls for the building up of domestic ownership and national managerial and technological capabilities. But direct foreign investment can make an important contribution to industrialisation. Such investment not only provides additional resources. It is also a means of having access to modern technologies, skills and markets. The rules and regulations of developing countries should encourage direct foreign investment in ways in which mutual interests are furthered. The constraints to the flow of external resources from other sources gives added importance to direct foreign investment as a means of augmenting this flow.

The progress of industrialisation in developing countries, and of outward looking development in general, is closely related to openness and non discrimination in international markets. The implementation of the measures needed in this area as set out in the section on international trade, such as the lowering of tariff and non tariff barriers and measures to further structural adjustment in the developed countries, form an important part of the strategy for industrialisation.

Industrial progress in developing countries can also be significantly enhanced through cooperation among such countries at the global, regional and subregional levels. The integration of markets of developing countries, the setting up of joint

ventures, and programmes for the training and up grading skills must be among the objectives of policies and measures to promote industrialisation during the 1990s.

Agriculture

For many countries agriculture, with its large contribution to the national economy, will remain the principal means for the revitalisation of economic growth during the 1990s. To the extent that countries depend on the export of agricultural commodities to world markets progress will be closely related to the implementation of the measures, outlined earlier, for strengthening international trade in commodities. But agricultural production in the developing countries also meets the requirements of production for the domestic market to meet the need for food and other products of both the farming and the non-farming population. The acceleration of development calls therefore for a special focus on policies and measures aimed at raising agricultural output and at strengthening food security and self reliance in food.

The transition from a traditional system of cultivation, sometimes on a subsistence level, to a modernised agriculture should be the underlying aim of agricultural policy. In many developing countries the pressures on available land are already high and there are limits to what can be achieved through an extension of the area under cultivation. Where such possibilities remain measures could be taken to bring new land under cultivation through programmes of irrigation and land settlement provided adverse environmental consequences, such as could arise from excessive forest clearing, are avoided. In great part, however, progress in agriculture is heavily dependent on raising productivity on lands already under cultivation. The scope for this could be large given the gap, often wide, between current productivity and the technical potential.

There are several important components to the policies and measures needed for raising agricultural production and productivity. But the great diversity of country situations means that there is no single set of policies of general applicability. Success will often depend on the removal of key constraints which vary greatly from country to country. However policies and measures based on the following considerations will be of broad applicability.

Success in reaching the potential for raising agricultural productivity requires a farming population possessed of the knowledge, the incentives and the means required for this purpose. Improving the knowledge and skills of farmers calls for the diffusion of technology relating to agricultural practices and the use of improved varieties as well as for the continued development and adaptation of technology through research. This underlines the importance both of effective extension efforts and services and of measures to enhance the capabilities of agricultural research institutions. The successful adoption of better methods and technologies is crucially dependent on incentives which link the use of superior methods to prospects for farmers to improve their standards of living. The price incentive is specially important, particularly in the context of the transition from subsistence farming to a modernised agriculture. Policies that depress the prices of farm output in order to protect or subsidise living costs for the population at large are often counter productive. A policy framework that permits of more realistic prices that better reflect market situations often yields better results. Such a framework must also remove the shortcomings in marketing, distribution, and storage that lead to excessive gaps between retail and farm prices.

Farmers must also have access to the means for raising agricultural productivity. Economic units of land and secure systems of tenure are often prerequisites for agricultural progress. Facilities for irrigation and a strong infrastructure of transport, communications and power as well as of other services that overcome the remoteness of rural areas are among the others. A strong network of rural banking and credit is also vital to help farmers procure inputs and make the investments needed for raising production.

Policies and measures aimed at raising agricultural production need to take account of the linkages between agriculture and other sectors of the economy. The link with the industrial sector is specially important since industry is a source of farm inputs and of consumer goods for the rural population as well as a source of demand for agricultural products. Agro-industries and processing industries located in the rural areas can provide both a stimulus to agriculture and a means of employment for underutilised labour. In a more general sense there is also a close link between the productivity of farmers and the extent and quality of educational and health services and of housing available to the rural populace.

There is often a considerable potential for improving the contribution of women to agricultural progress. In most developing countries women form an important part of the active farming population and of the agricultural labour force and policies and measures to raise their contribution to output as well as their incomes could yield substantial results. Schemes for rural self help and for the mobilisation of labour for community development and for the upgrading and maintenance of the rural infrastructure can also play an important part in the drive for agricultural progress.

A number of steps are also needed at the international level. Finance for investments in the agricultural sector and technical assistance should form part of programmes for development cooperation, both bilateral and multilateral. Developing countries should have access to advances in such fields as bio-technology and genetic engineering free of restraints and excessive costs. The removal of existing distortions in international trade in agriculture is also essential. Agricultural policies in the industrial countries that maintain producer prices in excess of world market levels inflict large losses on developing countries and be phased out in the course of the decade. Special importance attaches to a successful outcome and effective follow-up of the Uruguay round in the area of agriculture, especially tropical products and natural resource based products, taking account of the needs of the net food importing developing countries.

Areas of special priority

An acceleration of the rate of economic growth is an essential objective for the 1990s. It is a condition for expanding the resource base of the developing countries and hence for economic, technological and social transformation. But economic growth by itself does not ensure that its benefits will be equitably distributed or that the physical environment will be protected and improved. Yet, if poverty persists or increases and there is neglect of the human condition, political and social strains will grow and endanger stability in the 1990s and beyond. Similarly, if environmental damage and degradation increases, the natural resource base of the developing countries and the welfare of populations will be harmed and progress in development itself will become unsustainable. The Strategy for the 1990s must therefore give special attention to the policies and measures needed in the areas of poverty alleviation, human resource development and the protection of the environment. It must also pay special attention to the related areas of population growth and the elimination of hunger. The decade of the 1990s must witness a significant improvement of the human condition everywhere and establish a mutually reinforcing relationship between economic growth and human welfare. The need to strengthen this relationship is, in fact, a principal theme of present Strategy. It has not only to be reflected in national efforts but assisted by the international community through financial and technical support.

The eradication of poverty and hunger

The goal of alleviating poverty calls for policies and measures on two broad fronts. It calls, in the first place, for a style of development in which economic progress is distributed as widely as possible and not concentrated excessively on a few localities and sectors or limited groups of the population. It also requires, to the extent that poor and vulnerable sections of the population are not reached by this process, special and supplementary programmes and actions that are directly targeted to bring benefits to these groups.

The generation of employment and incomes through productive occupations is a major means of alleviating poverty since the absence of an adequate income through landlessness or the lack of opportunities for work is a prime cause of poverty. Development programmes and processes that provide employment on a large scale are thus an essential need. The sectors and the regions in which development takes place and the technologies adopted must be such as to have a significant impact on employment. This must be an important consideration in establishing the balance between growth in the agricultural, industrial, construction and other service sectors. The creation of employment and incomes through the activation of the informal sector of the economy and through the expansion of self employment activities should also be an important part of policies to improve incomes and alleviate poverty.

Progress in development, even when occuring on a broad front, might still by-pass significantly large sections of the population, particularly the poorest and most vulnerable. Special programmes and measures that are aimed directly at increasing their real incomes are thus likely to prove necessary. These could include the provision of cheap and subsidised food and other essentials as well as income support for the poorest and the destitute. They could also include programmes of training and of mobilisation of labour for local self help and community development as well as for production. Such programmes establish a link between poverty alleviation and productive activities. The provision of facilities in such areas as health, education, and transport at low cost is also a means of raising the real income of the poor. Measures to relieve homelessness or poor housing should be another major aspect of poverty alleviation programmes. The increase in the number of homeless in many developing countries has been one of the serious manifestations of the deteriorating human condition and the improvement of human settlements, as agreed in the Global Strategy for Shelter to the year 2000, should be part of the crucial effort in this field.

Women and children are a particularly vulnerable group in situations of poverty. Policies and measures for poverty alleviation should

have a particular focus on their needs and give special attention to maternal and child health care and to nutrition. Food security is also a major aspect of the fight against hunger and population and calls for an integrated approach to food production and consumption.

Policies and measures that are specifically directed at poverty alleviation must be carefully targeted on that part of the population that is in need. Subsidised facilities and services that are general in their scope and bring benefits to groups that are not in need are normally costly and impose excessive strains on the limited resources available to developing countries. Subsidies of a general nature could also contribute towards distorting prices and may, as in the case of food, have adverse effects on incentives for domestic production.

Developing countries need not await a transformation in per capita incomes to do away with the extremes of poverty, particularly hunger and destitution. Some developing countries with low per capita incomes have succeeded in obtaining relatively good results in the social field. But in the long run economic growth at an adequate pace is needed to sustain such progress, to raise living standards and eliminate poverty on a permanent basis. Long periods of stagnation or low growth might make unsustainable the initial gains in the social area.

The struggle against poverty is the shared responsibility of all countries. Poverty alleviation, as well as broad humanitarian and social goals, such as advancement in the quality of development, broad participation, larger choice, and better opportunities for all, men and women needs and should have the full support of the international community. Member states must give effect to agreements already reached in numerous resolutions to make all efforts to meet important goals such as:

* to eliminate starvation and death caused by famine;
* to reduce malnutrition and mortality among children substantially;
* to reduce chronic hunger tangibly; and
* to eliminate major nutritional diseases.

Human resources and institutional development

Human resource and institutional development are ends in themselves but there is also the closest of interactions between these objectives, the process of economic and technological transformation, and the quest for greater equity. Human resource development in a broad sense, covers a wide range of activities that release the creative potential of the individual and determine the style of development. Each country has to choose its approach to human resource and institutional development in accordance with its national priorities, cultural identity and stage of development. Education and health are, however, essential aspects of human resource development and must receive a special attention.

Education is both a basic human need and a prerequisite for the achievement of the other objectives of development. The educational skills of the labour force largely determine a country's competitive strength and its capacity to adjust to new and sophisticated technologies. In a number of countries expenditure on education declined in absolute or relative terms during the 1980s worsening economic situation and there was a resulting deterioration in the quality of education. Developing countries need urgently to reverse this trend in the 1990s and raise the level and quality of education. Attention needs to be given, in the light of country situations, to each of the aspects of the educational system. The eradication of illiteracy needs special emphasis including its eradication among women. A target of reducing adult illiteracy by at least one half during the decade has already been set by the international community. But a sound base of primary and secondary education is a basic requisite. Policies and measures in this area must provide for the relatively rapid increase in the population of school going age that accompanies the growth of population common to most developing countries. In fact, the goals for the decade of providing universal access to basic education and of the completion of primary education by at least 80 per cent of the school-going age group have been internationally accepted. This calls for adequate resources, both financial and administrative, capital and current, for the provision of facilities and materials and for the recruitment of teachers. At the same time there is the need to ensure that the expansion of the educational base does not result in a deterioration of quality and it supported by policies to train and retain teachers. The content of education at the primary and secondary level must also be relevant to a country's need for economic, social and political progress.

The increasingly important role that knowledge plays in determining economic progress in a rapidly changing global environment of science and technology gives a new urgency to upgrading and transforming the scientific, technological, entrepreneurial, and managerial aptitudes of the population. This calls not only for vocational education and training but also for an emphasis on higher education and on the development of the institutional base for the training of skilled cadres. It calls also for policies and incentives that are conducive to retaining skilled personnel in their countries on a

voluntary basis. The skills of the work force at all levels may well be the key to progress in the 1990s and beyond.

In the field of health services, special attention needs to be given to primary health care, the prevention of incurable diseases and, above, all to general development objectives such as sanitation, safe drinking water and nutrition. This will help relieve the strains on the curative medical system to which increasing numbers tend to have recourse as a result of population growth, education and social change. Policies and measures in the field of health need to give special attention to women and children. Several targets have already been agreed upon by the international community for the decade. These include: the reduction of under 5 mortality rates by one-third or more; the reduction of malnutrition among under 5 children by one half; and the halving of maternal mortality rates. The participatory and environmental aspects of health care should be emphasised in the design of programmes. There should also be a special focus on preventing the spread of epidemics and other diseases that are endemic in many developing countries. Urgent steps need also to be taken for the control and prevention of AIDS.

As in the field of education, policies and measures for health must pay increased attention to institution building and the training of skilled health personnel at all levels. Here again conditions have to be created that encourage the retention of skilled cadres.

Human resource development could also be promoted by cooperation among developing countries. Developing countries could benefit by opening to each other their centres of quality for higher education and training. They could benefit by the exchange of teachers and of personnel in the field of health and by the sharing of experiences. They could also profit from the joint operation and management of institutions for human resource development particularly at the regional and sub-regional level.

The developed countries have an important role to play in promoting human resource and institutional development. Apart from investment support and technical assistance in the supply and use of equipment and in curricula development, a major contribution can be made by the developed countries through the provision of facilities for the training of skilled cadres. Education abroad has always played an important part in the training of skills in developing countries. But in the 1990s and thereafter its role can be vastly enhanced because of rapid developments in the field of knowledge and the urgent need of the developing countries for larger cadres of skilled personnel. At the same time the developing countries should be assisted in building up their own institutions for training and higher education. As development progresses there is a need to enhance their self reliance in this field.

All human resource activities are mutually reinforcing. Careful analysis, policy design, and effective management in education and health programmes will be required and the support of agencies of the United Nations system should play a vital role. Given the interrelated nature of human resource development activities, inter-agency co-ordination in education, health, nutrition, housing, employment, child welfare, and advancement of women require close attention.

Population

Population programmes should be integrated with economic goals and strategies. The demographic situation varies among countries but in most developing countries a lowering of the rate of population growth will relieve the strains on the development process and hasten its benefits to the people. Population growth rates are in fact declining in a number of developing countries. Over half of the developing countries are pursuing active policies to reduce the rate of population growth and important lessons have been learned from this experience. The education of women, improved maternity and child care and the strengthening of family planning services in ways suited to the socio-cultural environment of individual countries have proved to be effective and successful instruments of population programmes. This experience is of value in the design and implementation of policies and measures for the 1990s.

Environment

The need for the protection of the environment should be reflected in the policies of all countries during the 1990s. The developed countries which are the main source of global pollution have the principal respon sibility for taking measures to prevent the environmental damage and degradation that is giving rise to world wide concern. Life styles that do irreversible damage to the environment are not, in the long run, sustainable.

The developing countries also face environmental problems. Many of these problems are a reflection of poverty and the lack of development. The overgrazing of lands, the felling of forests for firewood, and urban overcrowding are manifestations of poverty and the absence of suitable alternatives. The principal answer to these problems is development itself. However, it is evident that without sufficient care, the development process itself could cause environmental damage, some of it irreversible, like the exhaustion of non-

renewable resources, and others extremely costly to correct. Efforts are needed therefore to avoid or minimise such damage through sound choices relating to projects and technologies and by building an effective institutional and legislative framework for environmental protection.

It has to be recognised that environmentally sound processes of development that are consistent with the acceleration of economic growth will generally raise investment and other costs. If forests are not to be cut down for land settlement and agriculture, for example, other alternatives, such as industrialisation, have to be found for employing the increasing work force. Similarly new technologies adapted to reducing environmental damage may prove more costly than the earlier technologies that have been used in developed countries. Since developing countries are already pressed for investment resources they would require assistance in meeting such additional costs. The environmental issue should not be allowed to become an obstacle to accelerated development in the developing countries.

Assistance to developing countries in the area of environmental protection and management should be increased during the 1990s in the context of bilateral and multilateral programmes for external financing. Such assistance should be additional so as to reflect the increase in investment costs and not result in a reduction in finance for other development purposes. Developing countries should also be provided access, at minimum cost, to environmentally sound technologies. The establishment of an International Environment Fund has been proposed and should be pursued seriously.

Important goals have been set forth in the preparations for the United Nations General Assemsly for the United Nations Conference on Environment and Development in 1992. Considerable national and international efforts would be required to realise these goals. The proposal for an International Environment Fund should be pursued seriously.

Over two decades ago the United Nations adopted criteria to identify the countries that were economically the weakest among the developing countries and which faced the most recalcitrant structural problems. There was a recognition that these countries, designated the least developed countries, needed special support from the international community in their efforts to transform their economies and to improve their prospects to sustained development. In 1981 a special United Nations conference on the least developed countries adopted a Substantial New Programme of Action which agreed upon a number of measures to support the development process in these countries. These included the setting of a target of 0.15 per cent of the GNP of the developed countries for concessional aid to the least developed countries.

However, these very countries, and others that were among the poorest and the weakest, were the hardest hit by the difficulties that arose in the 1980s on the world economic scene. In terms of the criteria initially adopted, the number of countries falling into the category of "least developed" countries, instead of declining as a result of successful development, actually increased from 21 in 1972 to 42 in 1990 (numbers to be corrected). The measures taken by the international community to support the least developed countries did not suffice to offset the adverse factors that affected their development experience. In the light of developments in the world economy there is a risk that these countries would become increasingly marginalised and this risk needs urgently to be avoided.

In September 1990, the Second United Nations Conference on the Least Developed Countries will be held in Paris. The programme of action to be finalised and adopted at this conference should be implemented within the framework of the International Development Strategy. The broad requirements have already been recognised: The present ODA targets for these countries should, in the first instance, be met. Special treatment is needed to facilitate access of exports of least developed countries to major markets. Compensatory financing for export earnings shortfalls should be enhanced. There should be a complete write off of bilateral official debts as well as comprehensive measures to deal with the serious problems posed by multilateral debts.

The special development problems of the land locked developing countries and of the island developing countries also call for special attention. Measures are needed to lift the constraints on their development arising from the special transportation and communications problems they face, from their limited internal markets, and from their high degree of vulnerability to environmental damage and natural disasters.

These measures should aim at (a) reducing the cost of their access to and from the sea and world markets; (b) improving the quality, efficiency, and reliability of transit transport facilities; and (c) the diversification of their economies.

THE ROLE OF THE UNITED NATIONS ORGANS

The organs, organisations and bodies of the United Nations system

have a special responsibility for the pursuit of the goals and objectives of the present strategy. The system has played a unique role in bringing the development issue to the attention of the international community. Through its studies on the several aspects of the development problem, both national and international, through the international conference it has convened on major issues, through the understandings, conventions and agreements it has helped to negotiate, some of them of a legal or quasi legal character, and not least through the technical assistance it has provided to developing countries, it has made an invaluable contribution to ideas, policies and actions in the realm of development. This role must not only continue. It must be strengthened and expanded in the 1990s with the support and encouragement of member states.

Virtually every aspect of the Strategy falls within the areas of concern of the various parts of the United Nations system. In many such areas and sectors, goals and targets for the coming decade and the actions needed for realising them have already been agreed upon by member states and are crucial to the implementation of the Strategy. The Strategy also provides guidelines for further work on the evolution of policies and programmes and on seeking agreements for new actions. Major conferences of the United Nations system are already scheduled for the initial years of the decade and there will be others in the period beyond. These will be important occasions for reaching agreements that give more specific content to the actions and commitments needed to realise the goals of the Strategy.

The organs, organisations and bodies of the United Nations system have thus a vital role to play in furthering the analytical work of relevance to the elaboration and implementation of the Strategy, in promoting and securing the needed international cooperation, and in providing technical assistance. The work of the international system should be given greater coherence by closer inter-agency cooperation and co-ordination and by organisational measures that strengthen the contribution of the system to development. The Strategy provides an initial framework for these objectives.

The Secretary-General of the United Nations should continue his efforts to find a solution to the debt problem of developing countries. In this connection consideration should be given to the establishment of an Advisory Commission on Debt and Development. Also, the relevant organs and bodies of the United Nations system should undertake follow up measures pertaining to the Uruguay Round of multilateral negotiation.

The growing interdependence in the world economy and the increasing linkages between various issues such as money and finance, trade, and development gives a new urgency to the co-ordination of macroeconomic policies and management at the international level. The United Nations should play its role in this area as envisaged in the provisions of the Charter relating to the functions of the Economic and Social Council.

REVIEW AND APPRAISAL

A process of review and appraisal should be an integral part of the International Development Strategy so as to ensure its effective implementation. This process should be undertaken at the national level by the respective member states. But it needs also to be undertaken within the United Nations system at the global, sectoral and regional levels. It should provide an occasion to give the necessary political impulses, in the light of evolving needs and developments. It must be expected that conditions in the course of the decade will change in ways that cannot now be foreseen, and there is thus a case for permanent monitoring and periodic review, allowing when necessary for amendments and revisions to the Strategy.

The organs, organisations and bodies of the United Nations system will play an important catalytic role in the implementation of the goals and objectives of the present International Development Strategy in their respective areas of competence.

The machinery for continued monitoring exists: the various agencies of the United Nations system and the regional commissions issue annual reports which in effect monitor the state of progress in virtually every area of international development. Governments participate in numerous debates in specialised agencies, in ECOSOC, and in the General Assembly, in which the state of progress in international development is a major theme. In this sense, review and appraisal is already built into the procedures of the United Nations.

Nevertheless, review and appraisal relating directly to the progress of the Strategy as a whole is also needed on a periodic basis. This should be carried out by the General Assembly through the ECOSOC with an item on the implementation of the Strategy inscribed in their respective agendas. The Secretary-General should submit appropriate recommendations in order to assist this process of review and appraisal.