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I. INTRODUCTION

1. The ultimate objectives of development are easy to list. We are concerned to reduce global poverty and raise the standard of living of millions of people whose material well-being is extraordinarily low; we are interested in expanding the range of choice open to people so that they may choose for themselves more satisfying lives; and we are concerned to enhance the capabilities of people everywhere so that women and men may come closer to fulfilling their potential. Development is thus about putting people first: the ultimate focus of policy and initiative must be on human development.

2. Development, however, is concerned with the long view, so that the sustainability of the development process and the protection of the environment are central issues. There is no conflict between human development and sustainable development. Indeed, sustainable development is essential if long-run human development is to occur. The recent emphasis on sustainability should therefore be seen as an enrichment and deepening of the concept of development.

3. Concerns with equity and with the distribution of income and wealth have always been part of the debate on development policy. The introduction of the notion of sustainability, however, casts these old debates in a new light. The need to ensure that the process of development can be continued indefinitely has implications both for intra-generational equity, i.e., the distribution of capabilities among the population alive today, and for inter-generational equity, namely, the resources, opportunities and range of choices that those living today pass on to our successors.

4. The end of the cold war has created enormous opportunities and serious problems. New conflicts have emerged, often centred on ethnic differences, which can be understood in part as a struggle of people to redefine their identity and to discover new ways of relating to one another. This has its positive aspects, but the potential for violence is enlarged by the increased military spending that has occurred in a number of developing countries, supported by military assistance from developed countries and subsidies to exports of armaments. Global ideological conflict and a nuclear confrontation between two super Powers have given way to the disintegration of States and empires, civil war and localized international conflict. A growing number of emergencies and a consequent increase in the number of international peace-keeping operations have become necessary to protect innocent human beings and to encourage peaceful settlements. It is true that those activities divert resources in the short term from economic and social development and in some cases subtract from human development; however, the process of development will not be sustainable without new and reliable security mechanisms.

5. And yet there have also been encouraging changes. The end of the cold war has been accompanied by more open relationships among countries. There is always a danger that must be guarded against that progress towards greater openness will come to a halt and even be reversed, but so far this has not happened. Commodity markets have become more open; capital markets have been liberalized; global competition has increased and more countries have begun to exploit the advantages that come from greater specialization. The next step in creating a genuinely open world economy is to liberalize international labour markets.

A. The development outlook

6. There is a potential in the world for accelerated economic growth. Usable technologies and knowledge have accumulated at an historically unprecedented rate and yet there is a large gap between the knowledge available and the knowledge that is actually used. Closing that gap, creating greater access worldwide to available useful knowledge, is one major source of future growth. Another source consists of the further exploitation of possibilities for mutually advantageous global trade, possibilities which have been enhanced by the recently concluded General Agreement on Tariffs and Trade (GATT) agreements. Still another source of accelerated growth arises from greater use of market forces and a continuation of the trend towards lesser use of administrative procedures to allocate resources.

7. A large number of developing countries have undertaken major adjustment programmes in recent years. We have witnessed a greater orientation toward the use of the market. International trade has been liberalized, quotas have been replaced by tariffs and tariff levels have been reduced. Production has been restructured and the composition of output altered to increase efficiency in the overall use of resources. State enterprises have been privatized and the role of the State in promoting development has been re-examined.

8. More can and should be done. People should be given a stronger voice in affairs of greatest concern to them. Governments should become more accountable to those who are governed. Corruption in the broadest sense and the erosion of confidence in public institutions should be diminished, lest the legitimacy of the State itself be called into question. If the decline of authoritarian regimes and the spread of democracy are to be more than ephemeral phenomena, participation of people in public life must be institutionalized and become a commonplace. Development is partly about choices, but not all choices are made in the market place; some are made in the political arena.

9. The developed countries, too, need to restructure their economies in order to create conditions favourable to accelerated growth. The GATT agreement creates opportunities for further trade liberalization, but agricultural protection in the developed countries remains high, to the disadvantage of consumers in the developed countries themselves and of some potential exporters in developing and developed countries. There are worries in some regions of the world, particularly in Asia, that if growth should falter, protectionist attitudes could be strengthened and the European Union, the North American Free Trade Agreement and possibly other regional groupings could be transformed into trade restricting institutions. The tension between trade liberalization and protectionism is ever present and the international community must be vigilant in protecting the gains from freer trade. A specific issue of vital importance to eastern and central Europe is access to the markets of western Europe. The developed countries need to restructure their production in order to permit a substantial flow of exports from the eastern and central European countries in transition to a more market-oriented economy. Aid is no substitute for trade; indeed, in the absence of more liberal trade, foreign aid may do little more than perpetuate an inefficient pattern of resource use.

10. The developed countries also need to restructure their economies to combat environmental degradation, which implies changes in relative prices, the development of new technologies that economize on energy and raw materials, and altered patterns of production and consumption, in short, the adoption of a new style of life.

11. Finally, the developed countries need to restructure their economies to permit the emergence of more liberal international labour markets: a subject to which the report shall return.

12. Despite many obvious problems in the world economy, the current growth outlook can be seen as a glass half full. There has been very rapid growth in East Asia, notably in China with its huge population. There has been rapid growth in South-East Asia, including Indonesia and its large population. There has been an acceleration of growth in South Asia and most important in the three populous countries of Bangladesh, India and Pakistan. There has also been a recovery of growth in Latin America. Among the developing regions, Africa is conspicuous for its continued slow growth.

13. Indeed, the developing countries are today acting as the engine of global growth. Countries that account for about half the world's population have experienced a significant improvement in their average standard of living. Moreover, those countries account for many of the poorest people in the world. As a result, the pattern of global growth, contrary to a widely held belief, has helped to reduce inequality in the distribution of world income. For once, the proportionate gains of the poor exceed those of the rich. The narrowing of global income inequalities has been accompanied by a narrowing of differentials in human development indicators and hence at the world level, polarization among people has diminished.

14. The marginalization of Africa and the unsatisfactory performance in West Asia are two of the most disturbing features of the present decade. Also of great concern is the increasing internal inequalities in some developing countries. Notwithstanding those important qualifications, a majority of the people of developing countries are experiencing increased prosperity.

15. The developing countries, however, account for just over 34 per cent of global output (in purchasing power parity terms). That is, nearly two thirds of the world's output and income are generated in the developed countries and in the former socialist countries of the Soviet Union and eastern and central Europe. Seen from the perspective of global production, the current growth outlook is a glass half empty. Western Europe and Japan are in the midst of recession. There has been a sharp decline in output and incomes in the Russian Federation and in parts of eastern and central Europe. The cyclical recovery in the United States of America is unusually slow by historical standards. Within the developed countries, incomes have become polarized, unemployment (in Europe) has remained high and in the United States of America employment creation (of full-time jobs at least) has been disappointing.

16. The main body of the report calls attention to three features that distinguish the current phase of the cycle from previous downturns. First, in Japan and some other developed economies, the recession was accompanied by asset price deflation. The fall in the real price of assets reduced wealth, depressed demand and contributed to prolonging the recession. Second, the recession occurred at a time when Governments in developed countries were experiencing serious fiscal problems and had large budget deficits, thus inhibiting Governments from adopting the usual counter-cyclical measures - tax reductions and an expansion of public expenditure - and further prolonging the recession. Indeed, in countries where the Government responded to the budget deficit by reducing public expenditure, the recession was exacerbated. As a result of asset price deflation and the fiscal crisis of the State, emphasis was placed on monetary policy to stimulate economic expansion. Low interest rates did contribute to recovery, particularly in the United States of America, but the

response to low interest rates has occurred only after long lags and the effect on the rate of growth has been modest.

17. International flows of private capital in Latin America and parts of Asia have been an important external influence on the economies of several developing countries. Capital flows to developing countries as a whole collapsed during the period 1982-1990, but there has been a revival in the last three years. The flows have been concentrated in just a few countries and they may prove to be volatile or highly unstable, but none the less they have been significant. For example, in countries that suffered from an acute shortage of foreign exchange, capital inflows alleviated a bottleneck and allowed growth to accelerate even when the contribution to overall investment rates was relatively small. In other countries, capital inflows helped to create favourable expectations which, at least in the short run, were self-fulfilling.

18. Capital inflows do however pose a problem for exchange-rate policy. In the absence of government intervention, an inflow of foreign capital would lead to an appreciation of the exchange rate and possibly to faster inflation, i.e., a rise in the price of non-tradable goods and services. But if liberalization of the capital account were accompanied by tariff reductions and trade liberalization, as often occurs, then the appropriate policy would be to depreciate the exchange rate in order to ensure equilibrium in the balance of payments. It is not that foreign capital inflows are harmful but that it is important for countries to get the long-term fundamentals right: exchange-rate policy should not be guided by short-term considerations; measures should be in place to encourage local private investment and an efficient allocation of public investment; weaknesses in the educational system and in human capital formation generally should be addressed; and the neglect of the 1980s should be corrected.

B. Demographic expansion and mobility

19. Contrary to those who fear a Malthusian explosion, population growth rates are falling. Human capital is increasing, human development is occurring, but the absolute number of human beings is still rising, albeit at a declining rate. The phenomenon is worldwide. Perhaps more important for future trends, fertility rates in developing countries have begun to fall in virtually every region and in the developed countries, fertility rates are so low that an era of zero population growth is over the horizon.

20. The population issue should thus be seen as a development issue. It is closely linked with broad social trends and with the emancipation of women. Human development and fertility rates are strongly and inversely correlated. In countries where infant mortality rates are low, families have less of an incentive to have many children. In countries where literacy rates are high, where women are given equal opportunities to obtain an education and where women are allowed to seek paid employment, the opportunity cost of child-bearing is increased, the ability of women to earn higher incomes is raised and the number of births per female is lower. In countries where social safety nets exist and provision is made for security in old age, parents are less dependent on their children at the end of their life, and the average size of family therefore tends to be smaller.

21. Some critics argue that such a picture is far too optimistic. They point to the so-called environmental refugees flooding into cities and to the danger, perhaps even the likelihood, that some of the mega-cities in developing

countries will collapse. Rapid urbanization, in that view, far from being a source of dynamism and expansion is a major demographic and environmental catastrophe waiting to happen.

22. In the developed countries, the most prominent demographic change in recent decades is the change in the age structure. Increased life expectancy combined with low fertility rates is resulting gradually in an ageing of the population and a rise in the ratio of retired persons to active workers. That is, labour of working age is becoming increasingly scarce relative to the population as a whole.

23. An obvious solution to that problem would be to import labour from countries where it is abundant and it is here that liberalizing international labour markets, structural change in developed countries and the ageing of the population intersect. The potential welfare gains from a freer international labour market would in principle be at least as large (since the restrictions are greater) as the gains from more liberal capital markets and markets for goods and services.

24. Greater international mobility of labour would raise the total output in the developed countries and contribute to an increase in the efficiency in the use of the world's resources; it would increase the supply of entrepreneurship, stimulate small business and accelerate innovation; it would raise savings and investment in the developed countries (after taking remittances into account) and contribute to faster growth which, in turn, would make it easier for the developed countries to restructure their economies; and finally, by importing labour from countries where populations are young, it would alleviate the problems associated with an ageing population.

25. There are undoubtedly greater limits to the international flows of labour than to that of capital and goods, but the objective of public policy should be to allow the levels of migration that people seek while improving simultaneously the security and prosperity of labour and of human beings generally in the developing countries themselves. Similarly, a number of problems attend the integration and assimilation of migrants into the mainstream of the economy and society - problems for both the migrants themselves and the host country - but such are issues to be addressed by policy makers, not excuses for inaction.

26. The benefits of labour market liberalization would of course be greater in proportion as the rate of growth in the developed countries was faster and the rate of unemployment was lower. Stagnation and unemployment, however, are not arguments against liberalization; they are arguments in favour of restructuring production, removing obstacles in rigid internal labour markets and stimulating expansion. Poor economic performance should not be used as an excuse to erect barriers to migration; it should instead be seen as a signal of the need to adopt policies that permit liberalization and the resulting economic expansion.

C. Rethinking the framework for development cooperation

27. The end of the cold war has created an opportunity to rethink the framework for development cooperation. Foreign aid was once used, at least in part, to support the strategic security of States, to achieve diplomatic objectives and to promote particular ideologies. That is no longer necessary, if it ever was, and the focus of cooperation can now shift to promoting the economic security of people, particularly the poorest people. That is, the thrust of a new framework

for development cooperation should be to reduce global poverty, promote human development and protect people from severe hardship.

28. Those objectives can be achieved in part by reforming foreign aid as conventionally understood: improving the allocation among recipient countries, reducing the tied element, improving the accuracy of targeting etc. But development cooperation should be seen in a much broader context, including the access of developing countries to markets, improved mechanisms for the transfer of technology, greater international mobility of labour and cooperation on environmental issues. In such a context, foreign aid, although important, may play a less prominent role.

29. The main body of the present report includes a chapter on technical cooperation, a much neglected subject that nevertheless currently accounts for about a third of all development aid. In fact, analysis indicates that much technical cooperation cannot accurately be described as aid at all, nor does it contribute to development. Technical cooperation is largely driven by the objectives of donors; it is highly tied; and it is used, inter alia, to promote exports, encourage the spread of certain languages and cultures, provide employment for technicians and professionals from donor countries and enable donors to supervise and monitor aid-financed projects. If development occurs as a result, it is largely an accidental by-product.

30. Conditions are little better in the receiving countries. Mechanisms for ascertaining genuine needs for technical cooperation do not exist. Foreign experts are poorly used; technical cooperation is treated as a free good; institutional capabilities are not increased and hence the apparent need for technical cooperation continues indefinitely and even increases. After 45 years of technical cooperation and annual expenditures of $12-15 billion, there is no evidence that the original objectives as publicly stated have come close to being met.

31. In principle, technical cooperation should contribute to the transfer of technology and to human capital formation. In practice, it seems to have done so only to a limited extent. Although our intention is to analyse technical cooperation rather than suggest policy reforms, several possibilities emerge from the discussion.

32. First, most technical cooperation experts are from developed countries: less than 10 per cent are from the host country or from other developing countries. The latter percentage could be increased substantially, the costs of technical cooperation could thereby be reduced and, most important, national capabilities in developing countries could be enlarged.

33. Second, foreign technical cooperation experts are paid on average 15 times as much as nationally recruited experts, even when the local experts have the same qualifications. That is both inequitable and inefficient and suggests that considerable scope exists for doing more for less.

34. Third, there is a proliferation of channels for providing technical cooperation. The task of providing multilateral technical cooperation was originally assigned to the United Nations, yet today the United Nations supplies only a quarter of all technical cooperation; the rest is supplied through the World Bank, the regional development banks and, of course, the bilateral aid agencies. The proliferation of channels suggests that there may be scope for specialization and division of labour.

35. Finally, the need for technical cooperation apparently never ends. Few countries ever graduate from the list of the needy. Since 1972, however, the United Nations Development Programme (UNDP) has classified 21 developing countries as net contributors based mainly on gross national product (GNP) per capita. Most of these countries have technical cooperation programmes with UNDP but pay for the services they receive. More recently, at its High-Level Meeting held in December 1993, the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) agreed that as of 1996, concessional assistance to 16 high-income developing countries would no longer be accounted as official development assistance (ODA) in monitoring financial flows to aid recipients. DAC also agreed to intensify the concentration of its aid in countries whose GNP per capita falls within the World Bank lending threshold. 1/ Perhaps the time has come to develop measures of progress, refine criteria for eligibility and improve mechanisms for graduation.

36. Failing piecemeal reforms, it might be better to assign to each eligible country a lump sum budget to be used to purchase technical cooperation services thus shifting responsibility to the recipients, providing them with an incentive to treat technical cooperation funds as a scarce resource and encouraging them to formulate priorities for technical cooperation by sector, donor and type of service. The use of the resources could then be monitored regularly by the contributing nations and agencies.

II. THE WORLD ECONOMIC OUTLOOK, 1994-2002

A. Introduction

37. World economic growth at present is concentrated in the developing countries. In particular, China, South and East Asia, which include over 50 per cent of the world population, continue to have very dynamic economies. Because of the concentration of world poverty in that region, its growth means that poverty is probably decreasing more rapidly now than at any time in the last three decades.

38. The rapid growth in some developing countries has taken place in the framework of slow growth in the industrial economies and a deep depression in the economies in transition.

39. World trade has increased more rapidly than world gross domestic product (GDP), and intraregional trade among developing countries also has shown even more dynamism than in the past. The successful continuation of the GATT negotiations should make possible the continued dynamism of trade.

40. In contrast with those hopeful signs, the negative per capita growth in Africa remains the major development challenge.

41. The rapidly growing developing countries are now benefiting from the structural reforms they have carried out, which have facilitated the massive adoption of the stock of technology now available in the world. That growth can only be sustainable if the world trading system remains open, or becomes even more open.

42. To increase world growth, the industrial nations must accelerate and in some cases start a process of structural reform and set in place policies to make their economies more flexible. That additional flexibility will facilitate long-term growth with employment and the maintenance of an open trading system. Since the industrial economies are on the frontier of technology, structural flexibility is a prerequisite for accelerating their development.

43. Structural adjustment and growth in the industrial economies will be necessary to avoid continued low prices for commodities due to a weak demand, a phenomenon that has hurt some of the poorest developing countries.

B. Short-term outlook: 1994

44. The slow recovery in the United States of America and the recession in other leading industrial economies has been more protracted than originally envisioned, resulting in a low growth rate of about 0.4 per cent for the developed market economies in 1993.

45. The GDP growth of the developing world was higher in 1993 than in 1991-1992, largely due to high and accelerating growth rates in China (from 7 per cent in 1990 to 13.4 per cent in 1993) and among net energy-exporting developing countries recovering from the Gulf War. There is doubt, however, whether China can continue to post such high rates of economic performance over the medium term.

46. China and East and South-East Asian countries continue to have very dynamic economies. Growth rates in the rest of the developing countries generally remain unsatisfactory. Output declines in the economies in transition have continued to be deep, (see table 1). Declines in industrial output have been especially steep and much greater than originally estimated.

47. In 1993, both through fiscal adjustment and lower growth in Germany, German and European interest rates declined, which will slightly improve economic growth in Europe in 1994. The same is true for Japan. The recovery in the United States of America has continued to be slow but appears to be sustainable.

48. Those developments suggest a more hopeful outlook for 1994, although the recovery in the industrial world will continue to be slow and depend on continued structural change in the industrial markets, and prospects in Africa remain far from satisfactory.

49. The central European countries (the Czech Republic, Hungary, Poland and Slovakia) appear to have reached the bottom of the depression caused by the transition in 1993 and may post some growth in 1994 and the following years. Production declines were substantial in 1993 for the countries of the former Soviet Union and it is unlikely that they will have positive per capita growth in the near term.

Table 1. World gross domestic product a/ (1988 United States dollars)

(Percentage change)

Countries or areas	1993	1994	1995-2002
World total	1.0	2.3	3.1
Developed market economies	1.0	2.3	2.6
North America	2.9	3.6	2.8
United States	3.0	3.5	2.8
Developed East	0.4	1.3	2.3
Japan	0.1	1.0	2.3
European Union	-0.4	1.7	2.6
Germany	-1.2	1.3	2.2
France	-0.8	1.4	2.7
United Kingdom	1.9	2.6	2.6
Rest of industrialized countries	-1.4	1.8	2.6
Developing countries	5.2	5.2	5.5
Latin America and the Caribbean	3.4	2.7	4.7
Argentina	6.0	4.5	3.5
Brazil	5.0	2.4	3.9
Mexico	0.4	3.2	6.8
Venezuela	-1.1	-2.2	5.4

Countries or areas	1993	1994	1995-2002
Africa	1.3	2.1	3.1
North Africa	1.1	2.6	3.3
Algeria	1.3	1.8	2.8
Egypt	1.5	2.0	3.5
Sub-Saharan Africa	2.5	1.8	2.9
Nigeria	4.0	1.9	2.6
South and East Asia	5.4	6.3	6.3
Hong Kong	5.2	5.2	5.1
India	3.5	5.1	5.3
Indonesia	6.6	6.9	6.9
Republic of Korea	5.9	7.3	7.0
Taiwan Province of China	6.2	6.3	6.9
Thailand	7.7	8.3	7.9
China	13.4	10.3	8.1
Western Asia	3.6	3.8	4.1
Oil exporters	3.8	3.7	4.3
Oil importers	2.4	2.4	2.4
Mediterranean	0.0	3.9	4.7
Eastern Europe	0.6	2.4	3.2
Former Soviet Union	-13.2	-9.3	3.7
Miscellaneous			
Eastern Europe and former USSR	-9.4	-5.7	3.6
Developing countries b/	3.8	4.2	5.1
South and East Asia, and China	7.9	7.6	6.8
Least developed countries	4.2	3.6	4.2
Net energy exporters	6.7	6.1	6.0
Net energy importers	4.2	4.5	5.1

Source: Department for Economic and Social Information and Policy Analysis of the United Nations Secretariat, Project Link forecast, 19 April 1994.

a/ GNP for a few countries.

b/ Excluding China.

C. The role of asset price deflation

50. A unique feature of the recession and sluggish recovery in the industrial countries was the role played by the efforts of households and enterprises to improve balance sheets in the wake of sharp declines in the market value of financial assets and real estate.

51. Attempts by commercial banks to improve the quality of their assets led to a lower volume of lending than would have normally been associated with the declines in short-term interest rates in some major economies. Households responded to declines in the value of real estate and of equity shares by slowing the rate of growth of consumer debt, which intensified as unemployment rates increased. Non-financial enterprises were burdened by debt acquired during a period of widespread mergers and acquisitions, which led to efforts to improve short-term cash flow by cutting costs through retrenchment in order in some cases to make productivity-enhancing investments.

52. Those balance-sheet adjustments, which were intended to reduce debt to levels more closely in line with sharply reduced valuations of assets or future income streams, appear to be well along in the United States of America and the United Kingdom of Great Britain and Northern Ireland, but remain a serious problem in Japan, suggesting continued slower growth for private consumption, residential construction and business fixed investment than would normally be expected if the recovery had spread in the industrial world. The continued efforts of most industrial countries to further reduce general government deficits will reinforce those growth-dampening factors, and will exert a fiscal drag on the recovery process.

53. The view has now become widespread that the necessary financial adjustments described above have been responsible for prolonging the trough of the recession and can be expected to lead to only weak or moderate growth rates during the recovery that is now under way in the industrial countries.

D. Medium-term outlook, 1995-2002

54. Economic forecasts for 1995 and beyond suggest a rather fragile recovery of growth. World GNP growth might increase to 2.3 in 1994 and remain above that rate until 2002, assuming that there is both a substantial recovery in the United States of America and Japan, and continued fast growth in China, East and South-East Asia. Growth rates in Latin America are expected to continue at more than 3 per cent, and in Africa are projected to remain at an unsatisfactory level of about 3 per cent throughout the remainder of the decade. The medium-term projections examined by the Committee are not really forecasts but are plausible future scenarios based on assumptions about policies and the characteristic behaviour of economic agents. They serve mainly to organize discussions and to highlight potential areas of policy concern. Some positive trends are evident: the policy reforms in developing countries of the 1980s, the economic reforms in the economies in transition more recently, the market unification effects of the European Union (EU) in 1992, complementary European economic cooperation negotiations and the establishment of a North American free-trade area with the potential participation of Mexico, and the culmination of the Uruguay Round, should lead to an easier flow of goods, services, labour and capital, with concomitantly rising economies of scale and greater competitiveness.

55. Assuming no major political upheavals, an underlying 2.6 per cent per annum real average GDP growth rate appears to be achievable for the industrial market economies in the remainder of the 1990s, without however allowing for a cyclical downturn toward the end of the period. On past indications, that might be associated with an annual real average growth rate in trade of about 5.5 per cent. Such trends in the international economy would permit adjustments in production structures of goods and services, making room for suppliers from both the better situated countries in eastern Europe and the developing countries. However, the relatively slow growth in the developed market economies has given rise to the jobless growth phenomenon, which will leave unemployment rates relatively high, improving by only about 1.5 percentage points between 1994 and 2002. The unemployment rate projections for the European Union in table 2 are probably not politically sustainable and underline the need for structural reform in the industrialized countries.

56. Over the medium term, fiscal adjustment in Germany is expected to permit some monetary easing, thus reducing the interest rate differential vis-à-vis the dollar which is expected to lead to some strengthening of the dollar vis-à-vis the deutsche mark. Little change, however, is expected in interest rate differentials between Japan and the United States of America and thus little change in the dollar/yen exchange rate. The relatively low current value of the dollar is expected to persist, facilitating further adjustment in trade balances.

57. The outlook for output and trade for the medium and long terms in central and eastern Europe is cause for guarded optimism, despite the poor short-term prospects. The time required for transition and reconstruction in the four central European countries furthest along in the reform process (the Czech Republic, Hungary, Poland and Slovakia) is generally taken to be 5-10 years. That is, substantial changes in those countries should be evident by the end of the 1990s. But the restructuring process could take longer. The key issues are political, that is, whether and for how long the populations of those four countries will be able to shoulder falling standards of living, unemployment and other welfare costs of transition. There is much that the industrial market economies and multilateral organizations will be able to do over the medium term to ease the difficulties of the transition process for those countries, but providing access to markets for their exports will be by far the most important.

Table 2. Unemployment rates in developed market economies

	1993	1994	1995-2002
Developed market economies	8.3	8.4	7.4
North America	7.2	6.7	6.4
Developed East	3.6	3.9	3.6
Western Europe	12.5	13.3	11.4
European Union	12.8	13.6	11.6
Other western Europe	9.6	9.9	9.2

Source: Same as table 1.

58. In the other countries of central and eastern Europe, the process of change is less well advanced. It is likely to take longer and the costs of change are likely to be considerably higher. For the area as a whole, the requirements of increasing investment in agriculture, manufacturing, infrastructure and housing to achieve living standards comparable to those of industrial market economies are enormous. Flows of capital and technology from abroad will be helpful, but it is clear that the bulk of such investment, as in successful developing countries, must come from domestic efforts, particularly domestic savings. The breakup of the former systems of planning, payments and trade will take time to overcome. Implementing a basic legal structure, particularly with regard to land and other property ownership, introducing the institutions that enable markets to operate, privatizing the major productive State enterprises as well as the mass of small- and medium-sized businesses, managing infrastructural facilities and building up service enterprises such as banks, constitutes a large agenda. Yet all those steps are necessary for effective macro- and microeconomic management.

59. The projections of growth prospects for developing countries seem rather positive when contrasted with the decade of the 1980s. They suggest that the aggregate GDP growth rate, which increased from about 3 per cent in 1991 to about 5 per cent in 1992 and 1993, could average about 5.5 per cent through 2002. South, South-East and East Asian countries could continue to do well, with continued rapid growth fluctuating within a range of from 5 to 8 per cent among the newly industrializing economies as well as in Indonesia, Malaysia and Thailand, about 5 per cent in India, and about 8 per cent in China. The Latin American aggregate GDP growth could increase from 2 per cent in 1992 to about 3 per cent in 1993-1994 and then average about 4.5 per cent through 2002. Those projections mainly reflect an acceleration of growth in Brazil and Mexico, and the continuation of moderate growth in Chile, Colombia and Venezuela. In sub-Saharan Africa, GDP growth rates could reach about 3 per cent, which, unfortunately, would barely exceed population growth rates (see table 3).

Table 3. Per capita world gross domestic product
(1988 United States dollars)

(Percentage change)

	1993	1994	1995-2002
World total	-0.7	0.6	1.5
Developed market economies	0.4	1.7	2.0
North America	1.9	2.5	1.9
United States	2.0	2.5	1.9
Developed East	-0.1	0.8	1.8
Japan	-0.3	0.7	2.3
European Union	-0.7	1.4	1.9
Germany	-1.7	0.9	2.4
France	-1.2	1.0	2.4
United Kingdom	1.7	2.4	2.4
Other industrialized countries	-1.9	1.3	1.1

	1993	1994	1995-2002
Developing countries	3.2	3.2	3.6
Latin America and the Caribbean	1.6	0.8	3.0
Argentina	4.8	3.3	2.4
Brazil	3.4	0.8	2.6
Mexico	-1.6	1.1	5.0
Venezuela	-3.2	-4.2	3.5
Africa	-1.6	-0.8	0.2
North Africa	-1.3	0.2	1.0
Algeria	-1.4	-0.8	0.1
Egypt	-0.7	-0.2	1.5
Sub-Saharan Africa	-0.6	-1.2	-0.1
Nigeria	0.8	-1.2	-0.4
South and East Asia	3.3	4.2	4.3
Hong Kong	4.4	4.4	4.5
India	1.5	3.2	3.5
Indonesia	4.7	5.1	5.3
Republic of Korea	5.0	6.4	6.3
Taiwan Province of China	4.9	5.0	5.7
Thailand	6.4	6.9	6.8
China	11.8	8.8	6.9
West Asia	0.5	0.7	1.0
Oil exporters	0.9	0.8	1.2
Oil importers	-1.0	-1.0	-1.0
Mediterranean	-1.5	2.3	3.2
Eastern Europe	0.4	2.2	3.1
Former USSR	-13.6	-9.7	3.1
Miscellaneous			
Eastern Europe and former USSR	-9.8	-6.1	3.1
Developing countries a/	1.5	2.0	2.9
South and East Asia, and China	4.1	3.7	6.8
Least developed	1.1	0.5	1.2
Net energy exporters	4.9	4.3	4.4
Net energy importers	2.0	2.3	3.0

Source: Same as table 1.

a/ Excluding China.

E. Policy concerns

60. Most of the industrialized economies are functioning below their growth potential and it would be possible to reinforce recovery in some economies by increasing government expenditure in productivity-enhancing investment and having all Governments commit themselves to a medium-term programme of structural adjustment.

61. Fiscal adjustment in some developed market economies must continue. Clearly, fiscal deficits should be reduced over the medium term in several developed market economies. Without such adjustment, their long-term growth rates may decrease. In particular, without fiscal adjustment saving rates in such economies will be insufficient to finance needed investments, and may therefore hinder world growth either by lowering the future rate of growth of their own economies, or by crowding out investment in the developing countries and the economies in transition through higher interest rates.

62. Both in developing countries and in the economies in transition, trade liberalization policies will be increasing the proportion of trade in GNP, which will make possible a continued higher growth of world trade than of world production. That increase in trade, through unilateral trade liberalization in developing countries, will be a major source of productivity growth caused by increased specialization and economies of scale in both industrial and developing economies. The changes in trade patterns in the economies in transition of Europe and Asia may also be a source of productivity growth in those economies. For that to happen, however, it is important that developed market economies make progress towards opening their markets when the rest of the world is liberalizing.

63. Industrial countries should not react to the jobless growth phenomenon and their unemployment problem by protectionism. Instead, they should undertake the necessary structural changes in their economies, including those in labour markets. Policies must be put in place to stimulate investment.

64. The culmination of the Uruguay Round GATT negotiations augurs well for continued global integration of trade. The Committee agreed, however, that regional integration schemes that are not motivated by defensive considerations and that are compatible with the multilateral trade rules may also contribute to an increase in the trade/GNP ratios of some developing countries, and that that should also be a source of more rapid growth. Caution was voiced, however, about the negative welfare effects that might arise for the countries left out of regional trade arrangements, especially those involving the three major industrial economic areas. In particular, there was concern that the costs would be high, especially for African and South Asian countries, if European and North American-led regional trade arrangements excluded the countries of those regions from preferential trade treatment. In summary, regional trade arrangements should function as guarantees of access, and not as protectionist trade blocs.

65. Some of the developing countries threatened by a proliferation of new preferences have taken other steps to remain competitive. They have come to the fore of countries arguing for further trade liberalization, replacing the industrial market economies as liberalization leaders. The 1970s and 1980s experience of leading exporters suggests that appropriate macroeconomic policies and high productivity at the enterprise level are more effective in vigorously expanding market penetration than privileged market access. Macroeconomic policy convergence among countries within regional trading arrangements may

result in reducing exchange rate volatility among countries within the regional economic areas, and should thus improve the allocation of resources.

66. Capital flows to developing countries and the countries of central and eastern Europe are small in relation to intra-industrial market economy capital flows, yet fears that global savings will be insufficient to meet developing and Eastern European requirements in the 1990s are growing. It is being argued that some groups of countries will be crowded out by the more rapidly growing countries. The resulting pressure on interest rates would raise the cost of capital, particularly to poorer countries. An assessment of the prospects for net capital flows to developing countries must take into account the determinants of their various official and private components. According to a recent assessment of the World Bank, official grants and bilateral loans can be expected to increase at about the same rate as nominal GNP in the developed market economy countries. Substantial increases in those growth rates or agreements to protect the global commons, which would add significantly to the capital requirements, would, of course, require additional financing. For countries dependent on official development assistance (ODA) for the bulk of their external development finance the poor prospects for growth in ODA grants and loans are particularly serious. For those countries, it is especially important that disbursements of concessional assistance to the countries in transition be financed from additions to aid budgets in donor countries, which would raise their ODA/GNP ratios substantially. For countries financing the bulk of their external financial requirements at commercial rates of interest, it is of some concern that interest rates could rise as economic growth accelerates in the industrial countries, which would affect not only the cost of borrowing on private markets but also the interest rate charged on loans by the international financial institutions.

67. Although the economic outlook in the short term is not impressive, the structural reforms carried out by the developing countries in the last 10 years, if maintained and completed, will have laid the groundwork for fast growth in many countries in the second half of the decade. In some cases, high social costs have been incurred that would have been to no purpose if the policies should be discontinued precisely at the moment that the benefits were beginning to make themselves felt. In other countries, the reforms have not yet improved the conditions of the poor and diminished investment in productivity and people have not led to improvements, and in some cases have damaged equity as well as diminished efficiency.

68. As was discussed at length in a previous report of the Committee, 2/ there is a growing consensus concerning the type of policies that helps make adjustment equitable. Such policies combine macroeconomic adjustment policies to promote both technological change and an increased and more targeted human development.

69. Developing economies did not seem to be as closely integrated to the business cycles in the developed market economies as in the past. During the present recession, many developing countries have managed higher growth rates than in the industrial economies. However, macroeconomic policies in the developed countries increasingly affect developing countries through the medium of capital flows and interest rates. Yet international coordination of macroeconomic policy remains inadequate.

70. The question of the timing and phasing of reforms in the developing economies and economies in transition is crucial, as is a limit to the amount of sudden change an economy can absorb. Although there would seem to be a good

case for gradualism, in economies with little experience with functioning markets the right economic incentives will not be in place unless a broad system of reforms is announced at the same time. Clearly, price reform and the dismantling of non-tariff barriers must occur rapidly in order to set in place the incentives for efficiency. The rules on property right and commercial law must also soon be in place. It may be prudent, on the other hand, to phase in aspects such as financial liberalization, privatization and credit liberalization in a more gradual way. 3/

71. The resumption of private capital flows to developing countries has contributed to the recovery of output and investment in some countries. However, they pose some macroeconomic problems and they have flowed to a limited number of nations.

F. Policy issues relating to the globalization of capital markets

72. The literature on liberalization has concluded, more on the basis of the study of failed liberalization efforts than on theory, that the freeing of external capital flows should be the last stage of an adjustment and liberalization strategy, reflecting the fact that in some failed liberalization episodes, external capital flows were quite disruptive. Such capital movements tended to finance consumption more than investment and frequently created financial crises that ended up in massive bank bail-outs. Those capital flows also generated strong pressures towards an excessive appreciation of exchange rates that later paralysed efforts at trade liberalizations by generating large and growing trade deficits.

73. In the 1990s, some developing countries, particularly in Latin America, are again experiencing capital inflows that make monetary policy difficult to manage, and exert short-term pressure on real exchange rates. The literature on the phasing and timing of the elements of broad structural adjustment programmes and the experience of countries that have successfully liberalized suggest that there may be a place for capital controls in adjusting developing countries, which will minimize disruptive capital flows without discouraging the external financing of investment.

74. However, the globalization of capital markets and the banking industry has progressively made such controls less effective. There is clear evidence of massive capital flows in countries with apparently tight exchange controls. It is especially difficult either to restrain capital flight or its return by nationals. However, it would still appear to be possible to discourage, through appropriate measures, some important forms of short-term capital inflows, especially bank deposits, when such capital inflows might contribute to inflation or to an untimely exchange rate appreciation.

75. In any case, there is a growing consensus concerning the importance of prudential bank regulation during the process of liberalization - and its careful phasing - in order to avoid the misallocation of external financial flows, speculation and the dangers of financial crises. It is important for Governments and central banks not to guarantee, even implicitly, indemnification for capital losses arising from the exchange-rate movements caused by capital flows.

76. Both in developed and developing countries there should be strict rules that avoid the full distribution of unrealized capital gains by banks or mutual

funds. Unrealized capital gains should not count fully as bank capital for the purposes of calculating the required ratios between capital and liabilities. Such prudential regulation would help to diminish the danger of financial crises being generated by capital flows.

77. Less emphasis should be placed on monetary policy that places an excessive reliance on money-supply targets in adjustment programmes. It has often been the case that liberalization-cum-adjustment has radically shifted money demand schedules and also generated large non-inflationary money-supply increases through capital inflows. Tight monetary policy increases interest rates, generating further capital inflows. Since those short-term capital inflows are hard to control and can be destabilizing and since high real interest rates discourage fixed investment in any case, fiscal policy should play a greater role in price stabilization and be supported by appropriate monetary policy. With a more balanced mix of fiscal and monetary policies, it becomes feasible to avoid destabilizing capital flows.

78. Given both the disruptive impact on long-term export growth and the diversification of instability in real exchange rates generated by capital flows, there seems to be a good case for sterilizing intervention by central banks to reduce the short-term variability of exchange rates. Such intervention, however, can only be effective in the short term and should not persist when capital movements are signalling the existence of fundamental disequilibriums. It is difficult but not impossible for Governments and central banks to tell when such fundamental disequilibriums are present and that a realignment of exchange rates is required.

III. POPULATION GROWTH AND MIGRATION IN RELATION TO NATURAL RESOURCES, ENVIRONMENT AND DEVELOPMENT

A. Introduction

79. In looking at population growth and migration in relation to natural resources, environment and development, the present chapter places special emphasis on population movements, including international migration, and on linkages between population dynamics and environmental considerations.

80. The most important point in examining population growth and migration in relation to natural resources, environment and development is that fertility rates are projected to decline between 1995 and 2025. However, the movement of people for economic, political or environmental reasons will continue to be a significant social force. That movement should not be a surprise. The emphasis on liberalizing trade and capital flows over the last decade has been mirrored by individuals looking for the best place to earn their living. Upheavals and political instability in some countries have added to the flows of labour. As old regimes have crumbled, the ethnic accommodations often arrived at by force have unravelled. Political disruptions, coupled with a lack of attention to environmental fragility, have also contributed to movements of people.

81. However, the developed countries' enthusiastic embrace of liberalized trade and investment has not extended to liberalized movement of people, particularly the unskilled. Indeed, the high unemployment now experienced in many developed countries, coupled with the uncertainties of the impact of changed world economic patterns, encourages exactly the opposite response: strong pressure to staunch the inward flow of migrants and fear of an even more racially and culturally diverse population. Also, if unemployment remains high, the further liberalization of trade to accommodate the growing export capacity of developing countries and significant contributions from developed countries to assist developing countries in averting environmental damage will be very difficult policies to sell unless considerable political effort is spent convincing voters in developed countries that it is in their own interest.

B. World population trends

1. Population growth

82. It is now expected that fertility will decline by 34 per cent over the period 1995-2025, a considerable change from former trends.

83. If the United Nations medium variant turns out to be correct, the world population will reach 8.5 billion people by 2025, or about 3 billion more than its current total. In order to give a possible range of outcomes the United Nations has also calculated a high variant based on a slower fertility decline and a low variant based on a faster fertility decline. Under the high variant, the world population will reach 9.1 billion by 2025, while under the low variant it would still exceed 7.9 billion.

84. Despite declining fertility rates, the population momentum, or demographic inertia, means that the annual increment to the world population under the medium variant will reach a historic high of almost 100 million in the last part of the present century and will only begin to decline in the beginning of the next century, reaching 85 million between 2020 and 2025, or about the same as

that of the mid-1980s. Most of that increase will occur in cities in the developing countries.

85. An important consequence of the demographic momentum in developing countries is that more and more women are entering their reproductive years, so that the need for family planning services in those countries will therefore continue to increase rapidly. During the 1990s, just to maintain current levels of contraceptive use, approximately 100 million more couples will need family planning services. Thus, in order to validate the assumption of declining fertility rates in the medium variant of the United Nations population projections, a further 75 million couples will need access to family planning information and services by the year 2000.

86. In the 1960s, there was a clear dichotomy between the slow growth of population in the developed countries (the average annual rate was 1.1 per cent) and its rapid growth in the developing countries (the average annual rate was about 2.5 per cent), with little diversity among the major developing regions, ranging from 2.4 per cent in Asia to 2.7 per cent in Latin America (see table 4). Since the 1960s, however, the rates of population increase have become more diverse among the developing regions and their constituent countries, and the divergence is expected to increase in the 1990s. Population growth in Africa began to accelerate in the 1950s and continued to do so through the 1980s, while in most of the other developing regions it began to decelerate in the 1970s. The drop in the growth rate was particularly notable in China and the Asian planned economies; the drop is expected to continue in the 1990s, falling to just over half the rate of the 1960s. Presently projected population growth rates for the 1990s and for the period 2000-2025 are about 3 and 2.7 per cent respectively in Africa and West Asia, 2 and 1.3 per cent in South and South-East Asia, 1.7 and 1.2 per cent in Latin America and 1.3 and 0.6 per cent in China. The growth rate in the developed countries as a whole fell to 0.7 per cent in the 1980s and is projected to be only 0.4 per cent in the period 2000-2025. Those differential growth rates will result in quite different age structures that, in turn, will affect many aspects of development. 4/

87. In the least developed countries, population growth has accelerated from an average rate of 2.5 per cent in the 1960s to 2.7 per cent in the 1980s, in contrast to a dramatic drop in China, from 2.4 per cent to 1.5 per cent and a slight decline in the other developing countries as a whole. The difference is expected to be even greater in the 1990s - 2.8 per cent in the least developed countries versus 1.5 per cent in China and 1.9 per cent in the developing countries as a whole. Even during the quarter century to 2025, population growth in the least developed countries is projected to decline only to 2.4 per cent compared to the developing country average of 1.4 per cent.

88. The shift in the regional shares of global population is dominated by the growth of developing Africa and West Asia. Their combined share, which was 10 per cent in 1960 and 12 per cent in 1980, is projected to reach 22 per cent in 2025. In contrast, the proportion of world population accounted for by the developed countries declined from 22 per cent in 1960 to 18 per cent in 1980 and is projected to be only 12 per cent by 2025.

Table 4. Total population and average annual growth rates by decade, 1960-2025

Countries or areas	1960 a/	1960-1970 b/	1970 a/	1970-1980 b/	1980 a/	1980-1990 b/	1990 a/	1990-2000 b/	2000 a/	2000-2025 b/	2025 a/
Developing countries											
North Africa	54	2.5	69	2.6	89	2.6	115	2.4	146	1.7	200
Sub-Saharan Africa	209	2.6	271	2.9	361	3.1	489	3.1	663	2.7	1 290
South and East Asia and Oceania	482	2.4	1 069	2.3	1 338	2.2	1 657	2.0	2 012	1.3	2 814
China	657	2.4	831	1.8	996	1.5	1 153	1.3	1 310	0.6	1 540
Western Asia	47	3.0	63	3.5	89	3.8	129	3.0	174	2.6	329
Mediterranean	47	1.9	57	1.8	68	1.8	81	1.5	94	1.0	120
Latin America and the Caribbean	217	2.7	283	2.4	359	2.1	441	1.7	523	1.2	702
Subtotal	2 069	2.5	2 639	2.2	3 295	2.1	4 059	1.9	4 914	1.4	7 003
Developed market economies	650	1.1	722	0.9	786	0.7	839	0.7	898	0.4	993
Eastern Europe and former USSR	295	1.1	329	0.8	358	0.8	387	0.4	404	0.5	460
Least developed countries	238	2.5	304	2.6	392	2.7	510	2.8	675	2.4	1 215
World total	3 019	2.0	3 697	1.9	4 447	1.8	5 295	1.6	6 228	1.2	8 472

Source: Department for Policy Coordination and Sustainable Development of the United Nations Secretariat, calculated from country data in World Population Prospects: The 1992 Revision, Statistical Papers, Series A, No. 135 (United Nations publication, sales No. E.93.XIII.7); projections based on the medium variant projection for each country.

a/ Population in millions.

b/ Percentage charge in average annual growth rate.

Table 5. Population as percentage of world total, 1960-2025

Countries or areas	Number of countries	1960	1970	1980	1990	2000	2025
Developing countries							
North Africa	6	1.8	1.9	2.0	2.2	2.3	2.6
Sub-Saharan Africa	49	6.9	7.3	8.1	9.2	10.6	15.2
South and East Asia and Oceania	46	27.9	28.9	30.1	31.3	32.3	33.2
China	1	21.8	22.5	22.4	21.8	21.0	18.2
Western Asia	12	1.6	1.7	2.0	2.4	2.8	3.9
Mediterranean	4	1.6	1.5	1.5	1.5	1.5	1.4
Latin America and the Caribbean	49	7.2	7.7	8.3	8.3	8.4	8.3
Subtotal	167	68.5	71.4	74.1	76.7	78.9	82.7
Developed market economies	34	21.5	19.5	17.7	15.8	14.4	11.7
Eastern Europe and former USSR	10	9.8	8.9	8.1	7.3	6.5	5.4
Least developed countries	47	7.9	8.2	8.8	9.6	10.8	14.3
World total a/	211	100.0	100.0	100.0	100.0	100.0	100.0

Source: Based on table 4.

a/ Country group shares may not add to 100 per cent because of rounding.

89. Particularly worrisome are the population projections for Sub-Saharan Africa set against that regions' lagging agricultural production and current food deficit. In 1990, Sub-Saharan Africa's 489 million people produced about 90 million metric tons of food (maize equivalent). With consumption of 100 million tons, there was a gap of 10 million tons, which was met by imports.

2. Mortality and life expectancy

90. Population growth rates are affected by trends in mortality and fertility. Mortality has declined in most countries during recent decades, although unevenly. Although it remains high in most developing countries, the mortality rate has declined very rapidly in some countries and has reached levels as low, or nearly as low, as those in developed countries. In the past decade, there have been decreases in infant mortality rates in nearly all countries, but more than one quarter, representing 29 per cent of world population, still have rates above 100 per 1,000 live births. Between 1985 and 1990, the rate in the least developed countries was estimated at 120 per 1,000, and in Africa as a whole, it is 103, while the average in the developed countries (excluding South Africa) is about 15.

91. Mortality levels and trends are influenced by many social, economic and cultural factors, including policies and programmes outside the health sector. Economic development is usually associated with mortality decline, since improved economic conditions imply higher living standards and increased financial resources for health services. But low mortality levels have also been achieved in some low-income countries where Governments are committed to reducing mortality; China, Sri Lanka and the state of Kerala in India are well-known examples, as well as Cuba and Costa Rica among middle-income countries.

92. In developing countries, the deaths of young children constitute a large share of all deaths and children are considered the major target in efforts to reduce overall mortality. The factors having the greatest effect on the mortality of children are those related to parental education, especially that of mothers. Analysis of data from the World Fertility Surveys show that infant and child mortality generally decreases as the average number of years of education of the mother increases. 5/ Survey results suggest that the impact of parental education may be greater than that of income-related factors and access to health facilities combined. 6/

93. Maternal mortality rates are a good indicator of the health situation and status of women. Maternal mortality is the largest cause of death among women of reproductive age in most developing countries. 7/ In less developed regions, there were on average 450 deaths for 100,000 live births between 1980 and 1985 against 30 in the developed countries. 8/ Since those rates are higher in countries with high crude mortality rates, they should follow the general trends of mortality and improve by the year 2000. But the wide disparities among countries are not likely to disappear, especially as the increase of life expectancy is expected to be slower in Africa, for example, which accounts for 30 per cent of maternal deaths as against 18 per cent of births.

94. Among the factors that contribute to the high levels of maternal mortality in the developing countries are pregnancies in the youngest and oldest ages of the reproductive period, maternal depletion through pregnancies that are too closely spaced, high-parity births (i.e., births to women who have already had a high number of pregnancies), lack of access to health services and lack of trained birth attendants, especially where contraceptive method failure has led to unplanned pregnancies. Inadequate nutrition is an important contributing cause of maternal deaths. A number of studies have shown that deaths resulting from the complications of poorly performed abortions contribute a significant proportion of total maternal deaths. Family planning and good primary health care before and during pregnancy could greatly reduce the number of potentially fatal complications. However, as a significant proportion of complications cannot be predicted or prevented, speedy access to emergency care is also of utmost importance. Inadequate health service facilities and poor transportation networks are major factors in maternal deaths among rural women in developing countries. 9/

95. One of the most important findings from world fertility surveys concerns the exceptionally high mortality among children born after a short birth interval, 10/ suggesting that family planning programmes aimed at spacing births and avoiding high-risk pregnancies could help to reduce infant, child and also maternal mortality. Other interventions that can lower mortality in developing countries include efforts to improve the nutritional level of the population, immunization programmes and other health measures.

96. The mortality assumptions underlying population projections are given in the form of life expectancy at birth, and age and sex patterns of survival

probabilities. Changes in life expectancy at birth are affected more by changes in mortality rates of infants and children than anything else, but changes in mortality rates for older cohorts of the population are not unimportant. In the population projections in general, mortality trends followed the assumption of a quinquennial gain of 2.5 years in the expectation of life at birth until life expectancy reaches 62.5 years, followed by a slow-down in the gain thereafter. However, for some developing countries for which recent evidence has indicated a retardation or an acceleration in the improvement of mortality levels, the assumed future quinquennial gains were adjusted accordingly. For example, the anticipated quinquennial gain in life expectancy was lowered from 2.5 years to two years or less for some sub-Saharan African countries. For those countries in which life expectancy at birth has already reached a high level, the maximum level of expectancy at birth was assumed to be 82.5 years for males and 87.5 years for females. 4/ Mortality may be significantly increased in the future by the increasing incidence of acquired immunodeficiency syndrome (AIDS), and this has been factored into the projections for the countries with the highest prevalence of human immunodeficiency virus (HIV).

97. In the developed countries, life expectancy at birth has increased from 66 years in the early 1950s to 74 years in the late 1980s, while in the developing countries as a whole (including China), it has increased from 41 to 60. There was a dramatic increase in China, from 41 years in the early 1950s to 61 in the late 1980s; in Africa, it increased from 38 years to 52. The average life expectancy in the least developed countries in the period from 1985 to 1990 is about 49 years.

98. Life expectancy at birth is generally several years longer for women than for men, especially in the developed countries: 77 years for women versus 70 years for men in the late 1980s; in the developing countries (including China), it is about 62 years for women and 60 years for men. The region where average expectancy for women is the same as for men is South Asia, although improvements in female life expectancy in Sri Lanka in the past two decades have resulted in a more normal pattern in that country. By the year 2000, the difference is projected to increase to three years in the developing countries as a whole, and to remain constant in the developed countries.

3. Factors affecting fertility trends

99. In the 1950s and 1960s, the level of fertility provided a generally reliable means of distinguishing the developed from the developing countries, but in the last two or three decades the distribution has become less prominently bimodal. With substantial fertility declines in a number of developing countries of Latin America and Asia and persisting high fertility in most of Africa and West Asia, the fertility differentials currently observed within the developing world are now as wide as those formerly found between the developing and the developed countries. 9/

100. The most rapid fertility declines have occurred in developing countries with a combination of profound improvements in child survival, increases in educational levels and strong family planning programmes. Since the late 1950s, total fertility rates have declined by 2 to 3 children per woman in China, the Republic of Korea, Thailand, Malaysia, Sri Lanka, Brazil, Mexico and Colombia. In all those countries, the proportion of married women of child-bearing age currently using contraception grew rapidly since at least the mid-1960s, gaining 2 to 3 percentage points a year and, in the 1980s, reached levels of 50 to 70 per cent. Simultaneously, under-five mortality (i.e., the combined mortality

of infants and children under age 5) declined in China from 240 per thousand to 55, and from a range of 120 to 190 per thousand in the other seven countries, to a range of 40 to 90. Gross enrolment ratios of females for the second level of education rose from less than 15 per cent in all those countries to between 30 and 35 per cent in Thailand, Brazil and China, to about 50 per cent in Sri Lanka, Malaysia, Mexico and Colombia, and to 90 per cent in the Republic of Korea.

101. Conversely, low rates of child survival, low levels of education and insufficient access to birth control methods impede the transformation to lower fertility in most countries of sub-Saharan Africa, as well as in such Asian countries as Pakistan, Bangladesh, Nepal and Afghanistan. In many of those countries, total fertility rates average 6 or 7 children per woman and show few signs of decline, 9/ despite significant government initiatives in immunization and family planning. Under-five mortality is still well above 150 per 1,000 in most of them and often exceeds 250; the female gross enrolment ratio for the second level of education and the proportion of married women currently using contraception are typically below 10 per cent and rarely above 20 per cent.

102. Recent studies confirm the strong negative relationship between development and fertility but they also show that, within groups of countries at similar levels of development, fertility decline generally has been greatest in countries with strong family planning programmes. 11/ Without strong national family planning programmes, the diffusion of development is likely to induce fertility decline first among the more economically advanced population groups; at a later stage, declines are observed across all groups. Variations among countries at similar levels of development are also likely to be related to differences between social settings in household organization and institutional arrangements for the rearing of children.

103. The current policy stance on population of developing countries is shown by a recent survey done by the United Nations. That survey indicates that 74 developing countries, or more than 50 percent of the developing countries surveyed, considered their rate of fertility to be too high. Out of a total of 131 developing countries, 10 have policies in place to raise fertility, 12 intervene to maintain the rate, 64 have policies to lower the rate and 45 do not intervene. In countries that have policies in place to lower fertility rate, the implementation of policies is hampered by various cultural, financial and administrative constraints. Those constraints are the most severe in the poorest countries, obviously on account of the lack of financial resources to launch and staff the institutional arrangements required for effective population activities.

104. Improvements in child survival increase the predictability of the family's life cycle and thus create an appropriate environment for the adoption of family planning practices. 12/ The so-called insurance effect operates at a later point in the demographic transition, when family size desires are clearly formulated. Since, in many countries, family planning methods other than sterilization are not yet widely accessible, there is still considerable potential for large reductions in fertility. 13/

105. Education may affect fertility through acquired skills and knowledge, including the ability to provide safe child care and to use contraception effectively. Advanced education usually delays marriage and thus reduces the length of the child-bearing life-span. In the developing countries, women with seven or more years of schooling marry, on average, nearly four years later than women with no education. Education may also convey the influence of residence,

income or socio-economic status, or be jointly determined with such variables. In addition, women's education is often positively associated with the opportunity costs of child-bearing, which can be increased by making primary education compulsory for all children regardless of gender, since there is a need to purchase shoes, appropriate clothing, and school supplies as well as a loss of unpaid labour in household economic activities.

106. Although fertility decline may be assisted by changes in marriage patterns or by the maintenance of lengthy breast-feeding, the efficient practice of birth control is essential to achieve and sustain low levels of reproduction. Most of the intercountry variation in current national fertility levels is explained by differences in contraceptive use. Though contraceptive use varies according to the level of development, health and population policies have a strong independent effect, as seen in the high levels of contraceptive use achieved by some poor countries with strong family planning programmes once health policies have succeeded in greatly reducing infant mortality. 14/ There is an urgent need for research to improve contraceptive efficiency, reduce the adverse side-effects of contraceptive use, and lower cost.

107. In preparing the population projections shown in table 4, past and current fertility trends for each country are evaluated and placed within the social, economic and political context of each country. Trends and anticipated changes in the socio-economic structure and cultural values of the society, as well as policies and programmes directed towards family planning, are considered vis-à-vis expected trends in fertility. For many low-fertility countries, fertility levels are assumed to decline or to remain below replacement level for some decades into the future. For high-fertility and moderate-fertility countries, the level is expected to decline as countries advance in their social and economic development, which is generally assumed to progress as time passes. It is also assumed, for those countries, that existing or anticipated governmental policies and programmes for family planning and related-governmental activities would accelerate or expedite the process of fertility decline. 4/

4. Dependency ratios and labour force growth

108. In the medium variant of population prospects for 2025 prepared by the Population Division of the United Nations Secretariat, in which world population would increase by 60 per cent and most of the increase would occur in the developing countries, where total population would increase by 73 per cent, trends in dependency ratios (the ratio of non-earners to earners) are very different between developed and developing countries. In the developed market economy regions, dependency ratios, which fell from 55 per cent to 50 per cent between 1975 and 1990, are expected to increase to 58 percent by 2025, thus reversing a long-lived historical trend. Even more significant, however, is that earlier declines in dependency ratios were either associated with declining proportions of children who were either moving into the labour force or resulted from fertility declines, their rate of decline exceeding the rate of increase of the elderly. In the next 25 years, whereas the proportion of dependent children will continue to decrease albeit at a slow rate, the dependent elderly population will increase by more than 50 per cent. Since, as is noted below, labour-force growth is expected to be very low, even higher proportions of current output will be required to support an increasingly elderly population.

109. In the developing countries, the situation is expected to be very different. There the very high dependency rates for children, which in 1990

were about 60, are expected to fall to about 40, mainly due to various cohorts of children entering the labour force and, to a much lesser extent, to declines in fertility. At the same time, the dependency rates for the elderly will increase just as in the developed countries but will reach only 12 by 2025. Those trends will result in a major decline in the overall dependency ratio in developing countries from about 67 per cent in 1990 to 52 per cent in 2025.

110. Clearly, the ageing of population in developing countries in terms of the increasing numbers of elderly is a secondary issue compared to the high levels of entrants into the labour market. Even with an improving dependency ratio, the result is ambiguous because although a large labour force is available there is more unemployment as well. Also, with fertility declining labour-force growth will continue due to lags, so that no immediate benefits to the labour market situation result from fertility declines. Once the rate of increase of infants and dependent children begins to fall, pressure on public finances arising from expenditures on education and health could be somewhat alleviated.

111. For the developed market economy countries, increasing dependency ratios may adversely affect national and therefore global savings. At the micro-economic level, the life-cycle hypothesis emphasizes the declining need for further savings with increasing ageing. Accordingly, in an ageing population consumption can be expected to rise faster than current income. Increases in the dependency ratio may also mean a smaller labour force and thus a lower potential output. In addition, there will be obvious changes in the composition of government expenditures (as well as in its total share of GDP) with respect to education, retraining and medical care, as well as changes in the extent of transfer payments such as pensions. Since a country's current account position can be expressed as the difference between national saving and national investment, it is likely that countries where population ageing is most pronounced will tend to run current-account deficits. In that event, the difference in the increase in the dependency ratio among the major industrial countries in the years to come could have important implications for global payments balance. 15/

112. Trends in labour-force growth are determined by changes in population structure and participation rates. The growth of the labour force in the 1990s is projected to slow significantly in the developed regions and China but to remain fairly stable in the developing regions. For the world as a whole, the average annual rate of labour force increase will decline dramatically to 1.5 per cent during the period from 1990 to 2000, compared with 2.1 per cent during the period from 1970 to 1980 and 1.9 per cent between 1980 and 1990. In developing countries other than China, the labour force is projected to grow at about 2.3 per cent in the 1990s. Whether or not growth in the demand for labour will be able to absorb that increasing supply will be an important policy question for the 1990s.

113. In 1980, about 58 per cent of the world's population aged 10 and over were members of the labour force, including those without jobs who were looking for employment; overall, the participation rate was 73 per cent among males and 43 per cent among females. Rates varied significantly among regions, especially for females, ranging from about 60 per cent in the centrally planned economies to about 10 per cent in North Africa and West Asia. The apparent diversity between the high female participation rate in sub-Saharan Africa (51 per cent) and the lower rates in Latin America and South Asia (25 per cent) may reflect cultural differences in the definition of female work.

114. Persons aged 25 to 59 comprised 65 per cent of the world labour force in 1985 and will account for virtually all of the labour force increase in the 1990s. That group is projected to increase in the 1990s at the same rate as in the 1980s or higher in most regions, except for Latin America, where the annual growth rate is projected to decline from 3.2 to 2.9 per cent. The projected annual rates of increase for other regions are between 2.7 for the developing countries in Asia and 3.0 per cent for Africa. The increased concentration of the labour force in the group will tend to increase overall labour productivity, as this group is more experienced, on average, than the labour force under 25 years of age.

115. The proportion of the labour force in the 10 to 14 age group is negligible for the developed regions but averages 5 per cent in the developing regions, reaching 7.9 per cent in Africa. That proportion is in sharp decline in every region of the world except for Africa, and that trend is projected to continue through the 1990s.

116. Decelerating growth of the number of youth (aged 15 to 24) in the labour force will be a new phenomenon in the 1990s in several regions of the world and there will be absolute declines in some countries. Those changes will be caused primarily by declines in the size of the youth population and also by its declining rate of labour-force participation. Based on the projections of labour-force participation made by the International Labour Office, 16/ the number of youth in the labour force in East Asia (including Japan and China) will decline at an annual rate of 3 per cent in the 1990s, compared with a positive growth rate of 2.3 per cent in the 1980s. In southern Asia (including West Asia and South-East Asia), the annual growth rate will fall from 2 per cent in the 1980s to 1.1 per cent in the 1990s. In the more developed regions, the youth labour force will decline 0.2 per cent per year in the 1990s, compared with an annual increase of 1.0 per cent in the 1980s. Overall, the total number of youth in the world labour force will grow much more slowly in the 1990s (at an average rate of 0.5 per cent) than the 1.1 per cent rate of the 1980s.

117. A rapidly ageing population in developed market economy countries and rising proportions of unemployed youth in developed and developing countries alike are likely to cause heightened concern for personal security issues in both groups of countries.

5. Conceptual and analytical issues

118. The relative impacts on resource depletion and environmental degradation of the growth, size and spatial distribution of population, as well as consumption patterns, and the potential for reversing environmental damage, are subjects of much debate. Even the more narrowly defined issue of the interrelationship between population growth and development is hotly debated. Much of the debate stems from uncertainty over which are the right questions to ask and which are the right indicators to analyse.

119. Several recent surveys, including one prepared by the Consultative Meeting of Economists of the United Nations Population Fund (UNFPA) in 1992, have summarized the history of the academic debate over the past three decades concerning the economic consequences of rapid population growth in developing countries. The principal findings are the following:

(a) Nothing in economic-demographic research contradicts the proposition that in low-income countries with considerable backlogs in human development,

living standards and infrastructure, population growth in excess of 2 per cent per year is among the structural factors inhibiting the achievement of a wide range of development objectives;

(b) In many countries, the longer-run implications of rapid population growth, particularly pressure on renewable resources, are severe. Environmental pressures vary in the extent to which they are driven by population growth as opposed to other factors such as technology, income growth, policies etc. But the food-soil-water relationship is strongly related to population and individual countries that face imbalances in those areas already are likely to be acutely affected in the future. In such circumstances, a difference of a decade in the onset of the transition to lower population growth can make a considerable, even essential difference;

(c) Rapid growth in labour-force entrants is a source of stress in capital-poor economies; in countries where rapid growth of the school-age population has also contributed to the erosion of investments in human resources, the potential gains that might have accrued from having a rapidly growing stock of younger workers are offset by the lower productivity of workers and reduced competitiveness in a global economy where gains from trade depend primarily on productivity. When low productivity is coupled with low earnings, efforts to alleviate poverty are undercut. It is easy to recommend more investment in social sectors as a remedy to poverty but difficult to accomplish if productivity is so low that neither workers nor Governments are likely to accumulate the surpluses required to make such investments;

(d) Recognition of the adverse effects of rapid population growth does not mean that acceleration of the transition to lower growth will by itself solve all developmental problems; at best it may buy time to deal with those problems or keep them from getting even worse. Most of the immediate benefits of slowing population growth through increasing access to family planning accrue to individuals by enabling them to time and space births more effectively and with less risk to health. Subsidized family planning services may also help to bring the individual costs of an added birth better into line with societal costs, thus reducing externalities (costs of children borne by society at large but not by individual families). When interventions are motivated by both individual and societal objectives, respect for the reproductive rights and health of individuals should be an added focus of attention. 17/

120. Another view of the relationship between population growth and development, known among demographers as transition theory 18/ posits a causal relationship running from development to population growth: as economic development takes place, mortality rates fall, which initially results in an increase in population growth. In response to the decline in infant mortality rates accompanied by urbanization, education, changes in the division of labour and increases in income, fertility rates fall, often with a substantial lag, leading to an eventual decline in overall population growth.

121. Those apparently differing views on the direction of causality have led to different policy presumptions. Some have advocated strong family planning programmes independently of the overall thrust of economic and social policy, in particular developing countries. Others have promoted broad-based development strategies tending to attach less importance to family planning programmes per se. That would seem to be a false dichotomy. A more useful approach could be to distinguish between factors that lead households to desire smaller families, on the one hand, and factors affecting the availability of low-cost means of actually reducing fertility, on the other.

122. Many of the socio-economic and institutional changes that often accompany economic and social development tend to reduce desired family size and thus increase the demand for family planning services. The list is fairly long, beginning with reductions in infant mortality, as was mentioned above, but also includes those policies that tend to improve the status of women generally, including their access to health services and education, removing legal barriers etc. Policies that improve the status of women while simultaneously increasing significantly the opportunity costs of raising children are especially effective in reducing fertility rates, e.g., access by women to opportunities for earning cash income in labour markets and access to credit for establishing small businesses, compulsory education and changes in land tenure systems. Certain elements in family planning programmes can reinforce the impact of the factors mentioned above by, for example, accelerating awareness by both men and women of the high and probably increasing opportunity costs of having large families.

123. Family planning programmes are primarily aimed at increasing the supply and lowering the cost, of family planning services. It should be clear from the considerations advanced above that family planning programmes alone should not be viewed as the principal measure for accelerating growth and development. They should, however, be considered as a cost-effective and essential component in a much broader policy package to improve the status of women, especially as regards access to health services and education. Family planning programmes tend to be most successful where social and economic conditions encourage the adoption of small family norms. Recent experience has, however, demonstrated that even in poor socio-economic conditions the desire to regulate family size exists and fertility has fallen in countries with well-organized programmes.

C. Mobility and international migration

1. Recent trends

124. The economic motivation for internal movements of people and international migration are broadly similar, if not identical, as was noted earlier. Quantitatively, internal migration is far more important than international migration. Since there is not much data systematically available on movements from one rural area to another within developing countries, one indicator of relevance is the trend towards increasing urbanization. In the period 1985-1990, the estimated annual increase in urban population in developing countries was about 39 million, reflecting a growth rate of 3.4 per cent. Compared to that average, urban population growth in various regions ranged from 4.9 per cent in Africa, 3.8 per cent in Asia (excluding China), 3 per cent in Latin America and about 2 per cent in China itself. Allowing for natural population increase in urban areas, the movement from rural to urban areas in developing countries probably accounts for close to 40 per cent of the increase, representing about 15 million per year.

125. Compared to that order of magnitude, flows of international migrants from developing to developed market economies and more recently from countries in eastern Europe and the former Soviet Union are rather small.

126. Following a decade of intensification and diversification of flows, the 1975-1985 period witnessed a radical change with a significant decrease in the numbers of international migrants, suggesting that the era of large migration had come to an end. The closing of the borders in western Europe (Germany in November 1973, France in July 1974 and Belgium in August 1974), the decrease in the demand for foreign labour in the Gulf States (in the years 1983-1984) and

the passing of the Immigration Reform and Control Act (IRCA) in the United States of America in 1986, appeared to signal a turning point. However, it was not long before it was realized that, in fact, a new era of increased international migration was under way. In Europe, immigration into traditional receiving countries has remained important, despite the legal closing of the borders; traditional countries of emigration of southern Europe (Italy, Spain, Greece and Portugal), after having experienced net return migration in the late 1970s, are now attracting emigrants from both outside and within Europe; significant East-West flows preceded the opening of the borders of the former eastern Europe bloc and German reunification. In the major traditional settlement countries, the United States of America, Canada and Australia, flows are also increasing. In the United States, contrary to public opinion and discussion on migration issues, the 1990 Immigration Act, which replaced the 1965 Act, sets the numbers at a high and increasing level. In Canada, the new law, which replaces the 1976 Immigration Act and reinforced the point system, confirms and somehow increases the already high level of entries, making Canada rank first among immigration countries, when considering the ratio of immigrants to the receiving population. 19/

127. Even more significant is the shift in the channels of entry. Particularly noteworthy is the sharp increase in asylum seekers, especially in Europe, where applications have increased dramatically, as well as in illegal migration, although difficult to measure yet abundantly documented in many countries in all continents. Indeed, in situations where legal inflows are restricted (barring family reunion), entries and settlement by means of the refugee procedure have become the main channel of immigration. That also holds for illegal migration, which is due to discrepancies between market forces (supply and demand) and legal restrictions to entry. Thus, the restatement by major immigration countries of their control policy either to accept only legal entries as in the United States IRCA, or to stop labour migration altogether as in Europe following the 1974 ban, has greatly enhanced illegal flows, particularly under conditions of increased political instability and income differentials. The amnesty programmes, the 1986 IRCA, the regularizations in France (1982), Spain, the Netherlands and Italy underline the dual facet of illegal migration. By definition, the implementation of those programmes is a recognition of the fact that entries have gone out of control but at the same time, they try to send the message that from now on the control will be effectively implemented and further spontaneous entries will not be accepted. 20/

128. During the period 1985-1989, the average annual number of admission of permanent immigrants from developing countries to the main receiving countries was about 2.2 million. Another indicator is that of the numbers of asylum seekers for which statistics are available for selected European countries. Those averaged less than 200,000 per year during the period 1983-1989, of which 130,000 were from developing countries. However, from 1989 to 1992 the total number of asylum seekers increased rapidly, more than doubling from about 310,000 in 1989 to about 686,000 in 1992. 21/ Allowing for outward immigration from developed market economies, the Population Division of the United Nations Secretariat has estimated net migration from developing countries, eastern Europe and the former Soviet Union to the developed market economies during the period 1985-1990 at about 1.5 million per year. 4/

129. A disturbing trend is that even while donor countries are cutting back on ODA flows in the context of efforts to reduce fiscal deficits, some ODA is being used for the settlement of refugees from developing countries. Compared with current ODA flows of approximately $55 billion per year, current refugee settlement costs to developed donor countries are running at about $9 billion

per year. An important positive development is the policy decision taken by countries involved in the Intergovernmental Consultations on Asylum, Refugee and Migration Policies in Europe, North America and Australia to make use of the country assessment approach (CAA). The purpose of CAA is to allow for a joint effort in selected countries of origin of asylum-seekers or migrants, with the aim of exploring the possibilities for dialogue and action together with those countries on various development measures that might provide an alternative to emigration or facilitate repatriation. 22/

130. Predicting likely trends in international migration is a precarious task, because international migration is greatly affected by unpredictable political, economic and social circumstances in the countries of origin as well as of destination. International migration can change dramatically, even reversing direction, in comparatively short spans of time. For some countries, net migration is relatively small and consequently in the preparation of estimates and projections at the national level no migration was assumed. For those countries that have a long history of international migration, a simple constant net migration flow was assumed. For other countries, it was generally assumed that the current migration flows would decline and reach zero at about 2005. For countries in which migration has been of a temporary nature resulting from either civil conflicts, sudden change in the national economy or specific governmental policies, migration was assumed to be a one-time phenomenon and no future migration is assumed. 4/ Thus, compared to the figure mentioned above of 1.5 million per year, net migration into developed market economies is assumed to decline to 1.1 million by 2025.

131. Refugee movements form a most dramatic type of international migration. Conventional refugees are those who have crossed an international border to avoid being persecuted or to escape warlike conditions in their home countries. De facto refugees include those who have left their country under normal departure procedures but are prohibited from returning home without risking their lives owing to intervening events there.

132. The current global refugee population is estimated to be around 19 million. 23/ Some four-fifths are found in developing countries, including somewhat less than one third in Africa. During the past few years, some western countries have tended to restrict the granting of asylum and there is reason to believe that the proportion of refugees accommodated in the developing countries will be increased in coming years, even though developing countries have experienced serious socio-economic problems with hosting large refugee populations.

133. Approximately half of the global refugee population is presently assisted through official schemes, such as reception centres, holding centres, camps or designated land settlements and villages. The remainder have found a place to stay on their own, sometimes illegally or in consultation with local people and authorities, often in areas bordering their home countries. In addition to relief supplies, those schemes to aid refugees often include social infrastructure, such as schools and health centres, to which local people may also have access. But the distribution of food and other relief items is limited to refugees, even in areas with groups of destitute local people. With the exception of land settlements, where refugees are given plots to cultivate, income-generating activities have only been developed for a small percentage of refugees in most official schemes. In some cases, refugees in official schemes do not always receive their entitlements; distributions are irregular and they must find supplementary sources of income. They thus often provide labour and services for surrounding host populations. Barter systems involving the

exchange of donated relief items for items of local production between refugees and their hosts have developed in some areas. A recent large-scale survey of the socio-economic conditions of refugees in Pakistan, which hosts about one fifth of the estimated global refugee population, found that new arrivals have less means at their disposal per household member than those who arrived earlier and are most frequently subject to irregular food distributions. Some refugees have experienced conflict with local citizens when seeking employment or agricultural land, or when collecting firewood and other natural resources. 24/ Similar friction has been reported in other countries as well.

134. In areas with relatively abundant resources and a buoyant local economy, refugees are well received by many. They are willing to engage in menial tasks despised by others, including unskilled manual work for local farmers. Refugees will search for vacant land and develop their own agriculture, or supply unskilled and semi-skilled labour to local building contractors and manufacturers. Some take up crafts and trade and increase the varieties and quantity of locally available goods. But because more of the casual and unskilled work is undertaken by the refugees, their activities may indirectly worsen the conditions of some members of local vulnerable groups, such as female heads of households, the disabled and the elderly, who depend on that work for their incomes. Over time, friction between refugees and those groups may materialize and some refugees or local destitute groups may leave the area. The refugee inflow on balance, however, contributes positively to the general development of areas with adequate resources and economic growth.

135. In poorer areas, refugees are resented by many. As they flood the labour market, wages drop for casual labour and even for semi-skilled and skilled jobs. Local prices for food, fuel, medical supplies and commodities may rise. Refugees may collect firewood for fuel in neighbouring areas and further afield, contribute to deforestation in some areas and impede the access of local people to common property resources. Although employers benefit from the ready labour supply provided by refugees, many workers and destitute groups do not. The resentment may lead to violence, with the result that a part of the refugee population may be relocated and have to start again in a new setting.

136. It is, of course, impossible to predict whether or not the size of the refugee population will tend to increase over time, because of the unpredictability of conflicts that give rise to them and of solutions to ongoing ones. None the less, in countries that presently host large numbers of refugees, budgetary provisions will have to be made to provide assistance during the foreseeable future.

2. Conceptual and analytical issues

137. Both movements of people within countries and international migration are part of the development process. Since opportunities for improving individual or family welfare do not expand everywhere within a country or among countries at the same rate, incentives for relocating are always present once substantial income differentials emerge. Moreover, relative incentives may be increased rapidly when living conditions in a destination improve rapidly or when living conditions in a sending region stagnate or even deteriorate as a consequence of natural disasters, civil strife or major economic reversal. Were migration to be large enough, it would raise wages in sending areas and lower them in receiving areas. By reducing differences in income, migration would thus remove in the long term the very causes that led to it in the first place.

138. One of the processes that can reinforce the incentive to migrate is the early phase of the demographic transition itself. When the local population increases at a persistently high rate due to past reductions in mortality, individuals will react in various ways in order to attempt to reestablish the initial per capita welfare levels. One of the adjustment responses is a decrease in fertility accomplished by whatever means: increase in celibacy, postponement of marriage, abstinence, contraception, sterilization and abortion. Another adjustment response is that of migration, whether temporary or permanent. 25/ Obviously, those are not necessarily mutually exclusive responses, since individuals choosing to migrate will also tend to have lower fertility rates than their contemporaries who choose to stay at home. The important point to note is that decisions to migrate represent an efficient strategy at the individual or household level to improve well-being.

139. Economic policies can also have unintended effects on the rate of internal migration. During the 1970s, for example, there was an acceleration of rural-to-urban migration because of the urban bias of economic policy in many countries. This took the form of high levels of protection for urban-based manufacturing and a bias against exports of agricultural commodities (for example, in the form of high export taxes and currency overvaluation).

140. Some structural adjustment policies might have been expected to reduce the extent of urban-bias since if protection and export taxes are simultaneously reduced, the rural/urban domestic terms of trade will change in favour of rural producers. However, during the past decade, such reforms may have been entirely offset by the dramatic decline in the external commodity terms of trade.

141. Fiscal policies are also important. Increases in the level of taxation in the modern sector tend to reduce urban bias. A decrease in the number of civil servants and productivity improvements in parastatal firms would work in the same direction. Changes in the level and structure of public expenditures can also be important.

142. When migration flows are large, their macroeconomic effects on both receiving and sending areas may be significant. Emigrants may reduce the labour force by enough to increase the marginal productivity of the remaining workers. Their remittances may increase directly and dramatically the income of the family members in the sending area and indirectly the income of other area residents through multiplier effects. Migrants may also invest in directly productive activities in their countries of origin, thus increasing capital formation. For those who choose to return, their acquired experience and skills increase the stock of human capital and their contacts established abroad may help in facilitating technology transfer and marketing channels for exports. The magnitude of the effects to which such factors give rise is heavily dependent upon the adequacy of markets for goods, labour and finance, the regulatory environment and other socio-economic factors affecting the ease of entry of new firms into various lines of production. Where serious market failures and other barriers to enterprise are pervasive and may have been the principal reasons for emigration in the first place, it is highly unlikely that a strongly positive development feedback effect induced by the emigration will be realized.

143. In the receiving countries, immigration in recent times has been welcomed primarily by business enterprises where rising labour costs for low skilled labour or sheer shortages of skilled labour in specific specialization threaten to put them increasingly at a competitive disadvantage. The effects of immigration on unit labour costs is almost always beneficial to the receiving

country. However, the effect on public finance may be negative, especially at the local level, and the social and ethnic tensions that often accompany immigration increasingly tend to be viewed as large costs which explains the increasingly restrictive attitudes towards immigration in many developed market economy countries.

144. Measures to reduce immigration flows directly have had very little impact. One reason is that they did not, indeed cannot, affect very much the basic causes that create or strengthen the incentives to migrate as perceived at the micro level. Added to that is the difficulty of making effective distinctions among categories of immigrants, especially as between political refugees and economic refugees. For example, when immigration policies are tightened, the number of asylum seekers increases, often dramatically. Thus, where the volume of legal and illegal immigration is a complex political issue in developed market economy countries, that should be perceived as a strong additional argument for increasing market access to imports, especially of manufactured goods, from developing countries and economies in transition, and increasing aid and other capital flows to them so as to accelerate the reduction in current and expected differentials in living standards that drives the process.

145. In so far as immigration flows will continue to be large and often temporarily swollen by political refugees or victims of civil strife and natural disasters, including environmentally displaced persons, greater efforts need to be made to deal with the problems of integrating immigrants into the broader society in the receiving areas.

D. Poverty, environmental degradation and demographic trends

146. Rural poverty and environmental degradation have become closely interlinked as a high proportion of the rural poor live in areas with low agricultural potential, where through sheer necessity they deplete soil nutrients, cultivate steep slopes where erosion is unavoidable and overgraze rangelands.

147. It is worthy of note that some 60 per cent of the developing world's poorest people, or some 470 million, live in highly vulnerable areas - arid and semi-arid lands, steep slopes and poorly serviced urban lands. At the regional level, 80 per cent of Latin America's poorest people or some 63 million, 60 per cent of Asia's poor or some 327 million, and 51 per cent of Africa's poor or some 80 million live in areas that are highly susceptible to soil erosion, soil infertility, floods and other ecological disasters. 26/ The retreat of the poor to fragile lands with low agricultural potential is the result of a combination of factors: the development of areas of high agricultural potential characterized by land consolidation; privatization and the commercialization of previously common lands; the modernization of agriculture, which has reduced labour requirements; population pressure in areas that were previously sparsely populated; and wrong macroeconomic policies, which have distorted relative prices against labour-intensive technologies and crops.

148. Land productivity has declined over vast expanses in many developing countries on account of extensive desertification, waterlogging and salinization. Desertification is attributable largely to inappropriate agricultural practices, including the overgrazing and overcultivation of marginal land by the poor. Waterlogging and salinization have resulted from the lack of adequate drainage provisions in large irrigation schemes and the excessive use of water for irrigation.

149. Even more relevant as a measure of the impact of desertification is its human dimension. It is estimated that worldwide, out of 850 million people who live in dry areas some 300 million people have been directly affected by desertification, i.e., they currently occupy desertified land, the largest number, some 150 million, in the region of the Economic and Social Commission for Asia and the Pacific (ESCAP). 27/ That correlates highly with the number of the poorest people who have become increasingly concentrated in fragile lands.

150. What is of greater cause for concern is that the rate of desertification continues to accelerate in parts of the Sahelo-Sudanian Africa, the Near East, Iran, Pakistan and North-East India. The semi-arid area of north-east Brazil and parts of Argentina are subject to similar conditions. In Africa, parts of Morocco, Tunisia and the Libyan Arab Jamahiriya are losing some 100,000 hectares of rangeland and cropland each year through desertification. 28/ Worldwide, it is estimated that irreversible desertification is claiming 6 million hectares of land each year. 29/

151. In many developing countries, deforestation has been increasing due to the expansion of cropland for agricultural production. Much deforested land has, however, been put to unsustainable use, which has exacerbated the process of desertification through soil erosion. In addition, growing deforestation has had the effect of altering the hydrological cycle and increasing the severity of floods in many parts of the developing world.

152. Another cause for concern with deforestation is the increasing scarcity of energy supplies for the poor. Fuelwood and charcoal supplies over 75 per cent of the total energy use in several developing countries such as Bangladesh, Ethiopia and even oil producing Nigeria. In Central America, it supplies over 50 per cent of total household energy consumption and exceeds 72 per cent in the rural areas. In the early 1980s, the wood share of total energy consumption was 74 per cent in Sudan, 92 per cent in Tanzania and 96 per cent in Burkina Faso. In terms of people involved, over 2,000 million use wood for domestic heating and cooking. Projections for the year 2000 suggest that without remedial action, 2,400 million people will be unable to meet their basic energy requirements (A/CONF.151/PC.64, p. 23). While there may be room for increasing efficiency of use, the problem is obviously daunting. Alternative sources of cheap fuel for the poor, such as dung and other forms of biomass, are not in plentiful supply either and their use has the effect of depriving agricultural land of vital nutrients. Other alternative sources, such as solar and wind energy and biogas, are technology-intensive and offer little hope of coming within the reach of the rural poor in the foreseeable future.

153. According to the Food and Agricultural Organization of the United Nations (FAO), the annual rate of deforestation in 90 developing countries, including all the medium and large countries, in the period 1981-1990 was 15.4 million hectares: 7.4 million hectares in Latin America; 4.1 million hectares in Africa and 3.9 million hectares in Asia. 30/ A comparison of those assessments with those of an FAO/United Nations Environment Programme (UNEP) assessment done in 1980 shows an acceleration of deforestation in the 76 countries common to both assessments in the period 1981-1990 over the period 1976-1980, when the annual rate of deforestation was estimated at 11.3 million hectares. 30/ Part of the difference in the rate of deforestation between the two periods is attributed, however, to more complete coverage at the country level and to more accurate data available in the latter period.

154. Tropical forests are being cleared for their lumber, which results in the extension of roads into previously impenetrable forests, and to make way for

plantations, pastures and crops. In some developing countries, transmigration programmes have encouraged resettlement in tropical areas but settled agriculture has left the soil severely depleted after only a few harvests.

155. Tropical deforestation has received a great deal of international attention in recent years, mainly in connection with the loss of biodiversity and reductions of the size of carbon sinks. The absolute number of people who live in the world's tropical forests areas has been on the rise. Estimates put the current number at 200 million. 31/ Tropical forests have become safety valves for countries facing a rising tide of landlessness because of population pressure in good agricultural areas, combined with a grossly inequitable distribution of existing agricultural land. Some 80 per cent of the annual deforestation of tropical forests is attributed to slash-and-burn agriculture practised by poor settlers. 32/

156. Water scarcity is increasing rapidly in most of the developing countries, chiefly on account of the increasing water demand of growing populations, the expansion of irrigation and reduced run-off as a result of deforestation. The number of countries facing problems of severe water scarcity is already large and will increase.

157. Many areas in the developing world are arid and semi-arid, with a climate whose rainfall variability is devastatingly high and where droughts are a recurrent feature. Rainfall variability is over 40 per cent in the largest contiguous region, consisting of North and Sub-Saharan Africa, the Arabian peninsula, southern Iran, Pakistan and western India. Similar high variability is characteristic of northern Mexico, south-western Africa, eastern Brazil and Chile, and large parts of tropical and sub-tropical Africa. In the Sahel, rainfall is not only unreliable but has been on the decline. There is much less rainfall today than 50 or even 30 years ago. 33/

158. Another major driving force causing more and more countries to experience water shortages is rapid population growth, since the overall flow supply of water is more or less constant, though with changing local availability. Anywhere from 15 to 25 northern African and sub-Saharan African countries may face serious problems of water shortages by the year 2025. Altogether, some 53 developing countries could face severe water scarcity by the year 2025, 19 of which are already in that situation. 34/ Most of those countries are also countries whose agricultural sectors need higher than average inputs of water for increased food production. In such cases, industrial and household demand for water will strongly compete with the agricultural sector for the limited water available, making increasing agricultural productivity and poverty eradication an elusive goal.

159. While water scarcity is increasing throughout the developing world, the problem is even worse in the arid and semi-arid regions of the world, where as seen above, the bulk of the poorest people in the developing world have become concentrated. In those already low agricultural potential areas, the prospect for increasing food production will recede further as the soil undergoes further degradation and water availability becomes scarcer. Green revolution technologies, particularly the use of higher yielding varieties of seeds and fertilizers, are not likely to help unless adequate water supplies are available.

160. The rural poor generally suffer from ill-health of account of undernutrition and/or malnutrition. Their health is further affected by various forms of pollution and agricultural hazards, most importantly by water

pollution, indoor air pollution and direct exposure to pesticides and herbicides.

161. Water pollution poses the greatest threat to the health of rural dwellers. In spite of progress made during the International Drinking Water and Sanitation Decade in the 1980s, high proportions of the rural poor are still without safe drinking water and sanitation facilities. They depend for household water supplies and for drinking water on inland water bodies that are polluted by various pollutants. Diseases caused by the microbial pollution of water supplies, transmitted by water-associated vectors and related to inadequate sanitation and absence of clean water are widespread throughout the developing world.

162. New agricultural developments have also contributed to the impairment of the health of the rural poor. The most serious adverse health impacts of new agricultural developments are linked to irrigation schemes. Bilharzia, malaria and yellow fever sap rural health in many irrigated areas in the developing world.

163. While air pollution is a growing problem in urban areas, the rural poor also suffer from it. Most people in the rural areas in developing countries rely heavily or exclusively on biomass fuels for their daily energy needs. Coal is also used in many developing countries. The combination of the inefficient stoves in which those fuels are burned and poor ventilation leads to severe indoor air pollution, with severe deleterious effects on health, particularly of women but also of small children.

164. The problem of direct poisoning of agricultural workers by pesticides seems to be serious in the developing world, although quantitative assessments are fragmentary.

165. Urbanization has proceeded apace in the developing world in the post-World War II period and is expected to continue for decades to come. The growth of urbanization has been accompanied by an increase in the size of the urban poor, who have been increasingly forced to settle in the urban periphery, due either to absolute shortages of land or high rents on serviced lands. They live and work in hazardous exposure situations.

166. The health of the urban poor is affected by water pollution, inadequate sanitation facilities, inadequate facilities for the collection and disposal of industrial solid and toxic wastes, and indoor and outdoor air pollution.

167. The urban poor depend for household water supplies on inland water bodies that are contaminated by human excreta and industrial toxic wastes. Large numbers of the urban poor depend for subsistence on urban waste, gathering materials from dumps and the streets. In so doing, they expose themselves to a variety of hazards: bacteria, diseases and, most importantly, toxic wastes from industries. While by and large the quality of urban cooking fuels is better than that used in rural households, poor urban households still depend on traditional biomass fuels that they burn in unventilated shelters and they suffer from the same problems of indoor air pollution as the rural poor. In the urban areas of many developing countries increasing numbers of people, both poor and non-poor, are increasingly being exposed to outdoor air pollution caused by automotive and industrial emissions.

168. The major international issue related to the global commons is global warming. The problem, which is attributable to the emission of greenhouse gases

such as carbon dioxide (CO_2), chloro-fluorocarbons (CFCs), methane, nitrous oxide and ozone, has been created primarily by the industrial countries through the burning of massive amounts of fossil fuels and the extensive use of CFCs. Existing estimates of two of the most nefarious gases, CO_2 and CFCs, indicate that in the 1980s the developed countries were responsible for some 75 per cent of the emission of the former and more than 90 per cent of the latter. 35/ Unless preventive measures are taken, however, the contribution of the developing countries to the global warming problem will increase.

169. A high proportion of the emission of CO_2, the major greenhouse gas, in the developing countries, is the result of deforestation and the burning of biomass fuels. Carbon dioxide emissions related to deforestation is a short-to-medium term problem, for deforestation cannot continue indefinitely. Most of the CO_2 emitted in the developed countries is the result of the burning of large amounts of fossil fuels to meet the energy needs of manufacturing industries, transportation and households, so that the emission of CO_2 in the developing countries is a matter of poverty and necessity, whereas in the developed world it is the result of economic growth and prosperity.

170. At the international level, concern about deforestation in the developing countries has centred around two main issues, the loss of biological diversity and the reduction of the size of carbon sinks. Natural forests contain a wide variety of plant and animal species, including micro-organisms and wild relatives of important varieties of crops. It is believed that those genetic species may be potentially beneficial to mankind, although at present the benefits of the conservation of biological diversity are not clear. The benefits of an adequate biodiversity are seen in its potential to enable mankind to respond to problems caused by new pests and plant diseases, and in the possible need to develop new plant varieties resulting from the deterioration in growing conditions and from climatic and other environmental changes. The preservation of biodiversity has assumed increased importance in the light of recent advances in biotechnology. Although so far it has proved difficult to apply to plants, it is hoped that biotechnology might help develop improved varieties of cultivars eventually, a prerequisite for which is the existence of adequate natural genetic diversity. Forests also contribute to the slowing down of the rate of climate change by serving as carbon sinks. Current international efforts at preserving tropical forests and at afforestation and reforestation in developing countries, have centred largely on that role of forests.

171. The interaction of population, consumption patterns and technology in producing adverse environmental impacts may be expressed in the equation:

$$I = PAT,$$

where I is environmental impact, P is population, A is per capita consumption, and T is a measure of environmental damage caused by the technology employed in producing each unit of consumption. The equation may also be interpreted as conveying the notion that consumption and production patterns are proximate factors of environmental deterioration, channelling the underlying impacts of ultimate causes, which are the number of consumers and their effective demand for goods and services.

172. For constant income levels and production methods, the larger the population, the larger the annual share of pollutants and other negative environmental impacts generated. The combination of income growth and high rates of population growth in developing countries will account for approximately 83 per cent of pollutants generated during the period 1985-2025 as

opposed to about 25 per cent in 1985. 36/ To be sure, higher income levels will make it possible to reduce the unit impact of environmental damage. In the long run, the developed regions, with their low population growth rates and high income levels, will have a smaller impact on pollution and subsequently on the environment. In the developing regions, low rates of income growth and high population growth rates also affect the environment through increasing the incidence of poverty and its subsequent adverse impact on the environment.

E. Population, environment and development policies

173. In anticipation of the forthcoming International Conference on Population and Development, there have been a number of policy proposals produced by numerous seminars, expert groups and intergovernmental bodies.

174. However, in exploring the relationship between population, migration, environment and development, the fundamental objective of public policies ought to be to improve people's ability to live longer, healthier lives without destroying the environment. With that objective in mind, as well as the generally accepted conclusion that poverty and lack of access to health facilities and other social services are joint determinants of high fertility and poor health and nutrition of women and children, the Committee recommends that especially high priority should be given to the following:

(a) Judging the effectiveness of development (economic and social) policy by the extent to which it leads to improvement in peoples' health, education and income (human development). In that regard, women's continuing lack of power in personal relationships in many parts of the world, their lack of control over their own lives and their consequent poverty will require special efforts to change, such as increased investment in education, health, and the elimination of legal inequality;

(b) Governments should take active steps to implement, as a matter of urgency, measures to ensure that women and men have the same right to decide freely and responsibly on the number and spacing of their children, as well as to have access to the information, education and means to enable them to exercise that right in keeping with their freedom, dignity and personally held values;

(c) In view of the hazards of some pregnancies and the high level of observed maternal mortality from unsafe illegal abortion, Governments everywhere should remove legal restrictions on the availability of freely chosen abortion services;

(d) Governments, funding agencies and research organizations are urged to give priority to research on the linkages between women's roles and status and demographic processes. Among the vital areas for research are changing family systems and the interaction between women's, men's and children's diverse roles, including their use of time, access to and control over resources, decision-making and associated norms, laws, values and beliefs. Of particular concern is the impact of gender inequalities on those interactions and the associated economic and demographic outcomes;

(e) Increasing understanding of the environmental impact of people living and earning their livelihood in particular places with different levels of environmental fragility;

(f) Governments are urged to review existing barriers to international labour mobility, given the liberalization of capital and increasingly open trade flows;

(g) The United Nations system and other appropriate organizations should support and promote research on population distribution, international and internal migration, and urbanization in order to provide a sounder basis for the formulation of environmental development and population distribution policies.

IV. TECHNICAL COOPERATION FOR DEVELOPMENT

A. Overview

175. In the wake of political and economic reforms in central and eastern Europe and many other countries around the world, including many developing countries, technical cooperation has further expanded its scope in recent years; in fact, technical cooperation accounts for about one third of all bilateral Official Development Finance (ODF). The relevance and efficiency of those flows are therefore critical for the overall effectiveness of international development cooperation.

176. While technical cooperation is generally provided on grant terms, it is in practice a resource transfer very strongly tied to expertise from the respective donors and used for strengthening developing country capacity in areas of donor concerns. It is also often directed to meet short-term needs and for stopgap purposes, while basic requirements for national capacity-building are relatively neglected.

177. There are indeed important exceptions to such generalizations, but the overall picture of technical cooperation is one of a supply- or donor-driven resource flow, which from the perspective of sustained development in the receiving countries is costly, ineffective and sometimes even counter-productive. Enhancing effectiveness and efficiency will call for fundamental changes in both the management of technical cooperation resources by the recipient countries and the modalities of supply of technical cooperation.

178. As part of ODA, technical cooperation is meant to make up for inadequacies in the levels and range of technical capacity available in the recipient country. As short-term or ad hoc assistance in the design, planning, implementation, monitoring or evaluation of specific projects, it enables the recipient country either to undertake projects otherwise beyond its technical capacity or to do so more effectively than would otherwise be the case. In many cases, that enhancement of capacity increases the efficiency of the use of financial and other resources in the development process.

179. Given the very high costs of technical cooperation from developed to developing countries, the best long-term answer to the question of enhanced technical efficiency of the development process lies in the removal of the inadequacies in technical capacity that call for technical cooperation in the first place. That involves the strengthening of the capacity of local experts and institutions in the developing countries to provide the technical support required to sustain the development process. Technical cooperation from the developed countries can play a critical role in the process of local capacity-building not only by directly transferring expertise from foreign experts to local counterparts but also by supporting local institutions in the training of specialists and delivery of specialist services.

180. By helping to raise the general level of technical capacity in a developing country, technical cooperation for capacity-building will tend to reduce certain kinds of dependence on technical cooperation for production or service delivery. But as the economy of the country develops, more sophisticated forms of technical cooperation are likely to be called for.

181. Two implications of that analysis call for further comment. The first is that the effectiveness and success of technical cooperation programmes need to

be assessed not only in relation to getting specific jobs done or even of helping the development process but, more significantly, in relation to success in reducing the need for more assistance with the discharge of basic developmental tasks. Thus, continued technical cooperation over a period of decades must be adjudged a failure unless it reflects cooperation at progressively higher levels of sophistication.

182. A second major implication of the analysis is the crucial importance of a careful study of the conditions that make technical cooperation necessary in order to identify the specific gaps in local capacity at any particular time as well as the most effective means of closing the gaps, short-term as well as long-term.

183. Little research has been undertaken in developing countries on development cooperation, particularly on technical cooperation, for budgetary and technical reasons. Therefore, both bilateral and multilateral technical cooperation has tended in practice to be either donor-driven or identified and proposed by Governments of recipient countries without the research and analysis necessary to support it.

184. Support for research capacity and for independent research institutions in the developing countries should be a particular focus of technical cooperation.

185. Furthermore, technical cooperation has in the past concentrated on Governments, with little involvement of non-governmental institutions in the identification, formulation or implementation processes. There is a need for technical cooperation to involve a much broader range of institutions of civil society, for example non-governmental organizations, private sector institutions and research institutions.

186. Two major preconditions are necessary for the effective management of technical cooperation. First, the political climate in the recipient countries must be favourable. Political stability, an open political environment and a responsive Government are necessary in order to motivate citizens to invest in human resources development and encourage trained people to remain in the country. Second, economic stability must obtain. Economic stability, particularly macroeconomic balance, is important to enable Governments to provide the requisite inputs, human and material, in a consistent manner so as to ensure the sustainability of activities in human resources development and institution-building.

187. Given political and economic stability, the effective management of technical cooperation by recipient countries will call for efforts at two levels. First, the demand for technical cooperation must derive from national processes of programme formulation, with technical cooperation integrated into national activities. Technical cooperation should be designed to meet felt needs or to overcome critical bottlenecks in human resources and socio-economic institutions and not to obtain additional financial resources or imported equipment. Second, in many recipient countries a crucial requirement will be civil service reform generally, particularly where the public sector is overstaffed while salaries and wages are too low.

188. The supply modalities of technical cooperation also call for fundamental reorientation. Technical cooperation should be based on the programme approach rather than the project-by-project approach. Programmes, unlike projects, have the long-term perspective required for capacity-building. They enable the targeting and concentration of technical cooperation inputs in a coherent manner

in priority areas. That will require better coordination of technical cooperation requests by ministries and agencies in the receiving countries.

189. A crucial requirement for enhancing the effectiveness of technical cooperation on the supply side is donor coordination. Close coordination among donors will enable the focusing of technical cooperation on priority areas in a concerted manner, which is necessary to ensure the maximum impact in critical areas in the shortest possible time.

190. Another crucial need on the supply side is to maximize the use of national professionals in technical cooperation activities, which will make for greater cost effectiveness of technical cooperation resources and increase the internalization of the skills transmitted through technical cooperation. It will also require greater reliance on South-South technical cooperation.

191. Pursuant to General Assembly resolution 44/211, efforts are under way in the United Nations system to revamp technical cooperation practices. Those efforts that focus on national capacity-building through national ownership and execution of operational activities of the system, as well as the programme approach and various institutional reform measures aimed at enhancing coordination and execution, such as internal coordination, coordination at the field level and decentralization of authority by United Nations agencies to the field level, are a step in the right direction. Since technical cooperation practices have become entrenched, it is expected that in the beginning there will be several problems to overcome.

192. There are some encouraging signs in the agreement reached on principles for new orientations in technical cooperation by DAC members, which is significant because bilateral technical cooperation accounts for the bulk of technical cooperation. However, the DAC principles have not been implemented.

193. The importance of the idea of national ownership and execution of technical cooperation cannot be overemphasized. In the case of countries where civil order has broken down or that have suffered substantial losses of qualified people in the course of prolonged civil unrest, however, there may be a short-to-medium term need for a quasi supra-national body, a recipient/donor commission under the auspices of the United Nations with full responsibility for determining critical technical cooperation needs and for channelling technical cooperation resources from all sources, both bilateral and multilateral, to meet those needs in a concerted manner.

194. More serious efforts are needed to evaluate both the effectiveness of technical cooperation in achieving desired objectives and the cost-effectiveness of technical cooperation.

B. Introduction

1. The Committee's interest in technical cooperation

195. At its twenty-eighth session, in April 1992, the Committee decided to examine the contribution of technical cooperation mounted by the United Nations system and bilateral donor agencies to the economic development of developing countries and the economies in transition (see E/1992/27). The Committee has expressed concern for some time about the quality of ODA and its effectiveness in contributing to development. That concern has been heightened in recent years by the unlikelihood that the total volume of assistance will grow in the

1990s commensurate with the evolving needs of developing countries. The Committee's interest in technical cooperation, in particular, stems from the fact that since such assistance constitutes a very high proportion of both multilateral and bilateral assistance, enhancing its effectiveness is necessary for increasing the effectiveness of total assistance. Quite apart from that consideration and more importantly, the Committee's interest in the effectiveness of technical cooperation is related to the Committee's concern for human resources development, a major stated objective of technical cooperation. The Committee, it will be recalled, has identified human resources development as a priority area for the International Development Strategy for the 1990s.

2. Difficulties involved in assessing effectiveness of technical cooperation

196. The Committee agreed that the systematic evaluation of the effectiveness of technical cooperation is a difficult task. Very often, technical cooperation constitutes only one element of a package of support measures, as for instance in capital development projects, and its contribution is not easy to identify and isolate. Difficulties also arise when assessing the relative effectiveness of technical cooperation through the effectiveness of projects in attaining stated objectives because many apparently similar projects have different objectives. The Committee also agreed that the effectiveness of technical cooperation in realizing project implementation goals is affected by an array of circumstances, the most important being political stability, the political commitments of Governments to projects, the personal security of technical staff in emergency situations, the extent of prior human resources development, the capacity of the civil service, the prevailing macroeconomic conditions in a country and the modalities and quality of technical cooperation. It stands to reason that any factor that hampers the implementation of projects reduces the effectiveness of the associated technical cooperation. Therefore, technical cooperation must be tailored to the prevailing social and economic conditions. Bearing those problems in mind, the Committee explored the possibilities of enhancing the effectiveness of technical cooperation and discussed some approaches to appraising its efficiency and effectiveness.

C. Major trends in the structure of technical cooperation in recent years

197. Available data indicates that in recent years, technical cooperation as statistically measured has exceeded 30 per cent of the bilateral ODA of DAC member countries. In 1990, it ranged from 13 to 48 per cent of net disbursements by source. In the same year, the share of technical cooperation in grant and grant-like bilateral ODA, which accounted for some 85 per cent of the bilateral ODA of DAC member countries, exceeded 38 per cent, ranging from 13 per cent to 58 per cent of net disbursements (see table 6).

Table 6. Share of technical cooperation (TC) in total and in grant and grant-like bilateral ODA of DAC member countries, 1990

(Net disbursements)

	Bilateral ODA ($ million)	Share of TC in bilateral ODA (percentage)	Grant and grant-like bilateral ODA ($ million)	Share of TC in grant and grant-like bilateral ODA (percentage)	Multilateral ODA ($ million)
Australia	753	31.2	753	31.2	202
Austria	299	22.1	161	41.0	94
Belgium	548	38.0	519	40.1	342
Canada	1 690	19.9	2 250 a/	15.0	780
Denmark	695	15.7	708 a/	15.4	476
Finland	498	20.5	456	22.4	348
France	7 829	44.0	5 946	57.9	1 551
Germany	4 479	40.3	4 525 a/	39.9	1 841
Ireland	23	47.8	23	47.8	34
Italy	2 112	18.8	1 298	30.6	1 283
Japan	6 786	19.7	3 014	44.3	2 282
Netherlands	1 901	41.0	1 775	43.9	691
New Zealand	82	35.4	82	35.4	11
Norway	756	13.0	758 a/	12.9	449
Sweden	1 384	12.9	1 384	12.9	628
Switzerland	551	-	533	-	199
United Kingdom	1 483	47.8	1 567 a/	45.2	1 164
United States	8 370	32.5	8 520 a/	31.9	2 996
Total DAC b/	38 705	32.4	32 736	38.4	15 372

Source: Adapted from Organisation for Economic Cooperation and Development, 1991 Development Cooperation Report (Paris, 1992), table 48, p. 232.

a/ Apparent gross disbursement total.

b/ Excluding debt forgiveness of non-ODA claims in 1990.

198. An overview of the distribution of ODA and technical cooperation grants by source is provided in table 7. In 1990, total net disbursements from all the major sources amounted to some 60 billion dollars; 46.4 billion of which, or some 77.5 per cent, came from bilateral sources and 13.5 billion, or about 22.5 per cent, from multilateral sources. While the total net disbursements of ODA in 1990 represented a substantial increase over 1987 in nominal terms, the multilateral/bilateral distribution remained unchanged. Of the total, technical cooperation grants accounted for 16.2 billion, of which, 12.6 billion or 78 per cent came from bilateral sources and 3.6 billion, or 22 per cent, from multilateral sources. Again, there was a sizeable nominal increase in technical cooperation grants in 1990 over 1987 but no change in the multilateral/bilateral distribution.

199. Regarding the distribution of technical cooperation grants among developing countries and ignoring a sizeable unallocated portion (see note to table 7), the share of the low-income countries including the least developed countries in 1990 was higher than for the other developing countries in both bilateral and multilateral ODA, with a relatively higher percentage going to the least developed countries. On a per capita basis, the major beneficiaries of both bilateral and multilateral technical cooperation grants were the least developed countries. The distributions were nearly the same in 1990 and 1987 (see table 7). A clearer picture emerges from the distribution of technical cooperation grants in total bilateral and multilateral technical cooperation grants. The share of the low-income countries including the least developed countries is markedly higher in both bilateral and multilateral grants but much higher in the latter, although out of a smaller absolute amount. Again, the main beneficiaries among the developing countries were the least developed countries, with no significant change in distribution between 1987 and 1990.

200. The share of technical cooperation in ODF, which includes ODA as well as less concessional multilateral flows, and certain bilateral flows, was 17 per cent in 1990, nearly the same as in 1987. While the share of technical cooperation was only slightly biased in favour of the low-income countries as a group, it was markedly biased towards the least developed countries. For all groups of countries, the share of technical cooperation in ODF has overshadowed those for food aid and emergency aid (see table 8).

Table 7. Distribution of net ODA and technical cooperation grants: net disbursements, 1987 and 1990

	Percentage of a/ total bilateral ODA		Percentage of b/ total multilateral ODA		Percentage of TC grants in bilateral ODA		Percentage of TC grants in multilateral ODA		Percentage of TC grants in total bilateral TC grants		Percentage of TC grants in total multilateral TC grants	
Country groups	1987	1990	1987	1990	1987	1990	1987	1990	1987	1990	1987	1990
LLDCs c/	21.5	17.1	37.9	39.5	5.1	4.1	7.6	7.4	17.8	15.3	28.0	27.9
OLDCs d/	26.5	33.9	38.5	33.5	7.4	7.0	6.0	5.9	25.8	25.6	22.2	22.2
LMICs e/	14.6	15.4	6.7	7.5	3.5	3.5	2.2	1.9	12.5	12.9	8.1	7.2
UMICs f/	17.8	16.7	4.3	4.0	6.0	6.4	2.2	2.2	20.9	23.6	8.0	8.3
Unallocated g/	19.6	16.9	12.6	15.5	6.6	6.1	9.1	9.2	23.0	22.6	33.7	34.4
Total	100.0	100.0	100.0	100.0	28.7	27.1	27.1	26.4	100.0	100.0	100.0	100.0
Total (billions of US$)	32.9	46.4	10.1	13.5	9.4	12.6	2.7	3.6	9.4	12.6	2.7	3.6

Note: For ODA and official sector transactions by DAC members and multilateral organizations, geographically unallocated amounts are too small in aggregate to cause a substantial understatement of the figure for a given recipient country. In the case of Arab bilateral agencies, however, approximately 35 to 40 per cent is geographically unallocated, depending on the year.

a/ DAC member countries and Arab countries.

b/ United Nations agencies, including regional development banks and Arab agencies.

c/ United Nations list of least developed among the developing countries.

d/ Other low-income countries with a per capita GNP of less than $750 in 1989.

e/ Lower middle-income countries with a per capita GNP between $750 and $1,500 in 1989.

f/ Upper middle-income countries with a per capita GNP exceeding $1,500.

g/ Including such items as (i) administrative costs, mainly incurred on the territory of the donor country; (ii) amounts spent in the donor country on research performed for the benefit of developing countries (e.g., tropical diseases); and (iii) amounts reflecting defective data-collection procedures, or the effect of confidentiality restrictions requiring the non-disclosure of the identity of a particular country.

Table 8. Share of technical cooperation, food aid and energy aid in official development finance

(Commitments, percentage)

	Technical cooperation		Food aid		Emergency aid	
Country groups	1987	1990	1987	1990	1987	1990
LLDCs a/	20.0	22.0	5.0	3.0	1.0	1.0
OLDCs b/	12.0	11.0	2.0	1.0	1.0	0.0
LMICs c/	15.0	16.0	3.0	2.0	2.0	1.0
UMICs d/	15.0	12.0	1.0	0.0	0.0	0.0
Unallocated e/	53.0	52.0	1.0	2.0	2.0	2.0
Overall total	18.0	17.0	2.0	2.0	1.0	1.0

Source: Organisation for Economic Cooperation and Development, Geographical Distribution of Financial Flows to Developing Countries (Paris, 1992), pp. 304-315.

Note: For ODA and official sector transactions by DAC members and multilateral organizations, geographically unallocated amounts are too small in aggregate to cause a substantial understatement of the figure for a given recipient country. In the case of Arab bilateral agencies, however, approximately 35 to 40 per cent is geographically unallocated, depending on the year.

a/ United Nations list of least developed among the developing countries.

b/ Other low-income countries with a per capita GNP of less than $750 in 1989.

c/ Lower middle-income countries with a per capita GNP between $750 and $1,500 in 1989.

d/ Upper middle-income countries with a per capita GNP exceeding $1,500.

e/ Including such items as (i) administrative costs, which are mainly incurred on the territory of the donor country; (ii) amounts spent in the donor country on research performed for the benefit of developing countries (e.g., tropical diseases); and (iii) amounts reflecting defective data-collection procedures, or the effect of confidentiality restrictions requiring the non-disclosure of the identity of a particular country.

D. Purposes of technical cooperation

201. Technical cooperation may constitute an important contribution to enhancing human resources and strengthening institutional and other complementary inputs to investment projects in order to speed up the process of self-reliant economic modernization. OECD has defined technical cooperation activities whose primary purpose is to augment the level of knowledge, skills, technical know-how or productive aptitudes of the population of developing countries, i.e., to increase their stock of human intellectual capital or their capacity for more effective use of their factor endowment. 37/

202. In a similar vein, the General Assembly, in its resolution 44/211, stresses that in order to attain the goal of self-reliance in the developing countries through the strengthening of national capacities, the operational activities of the United Nations system should emphasize the human dimension of development, in particular through education, training and the development of human resources (para. 3).

203. Technical cooperation for human resources and institutional capacity-building needs to be designed with a long-term perspective and is meant primarily to serve the long-term objectives of enabling developing countries to mobilize and manage development resources on their own. Technical cooperation is also needed, however, for short- and medium-term purposes. Investment in physical productive capacity is important for growth. But the implementation of such investments requires skills and know-how, much of which may not be available in developing countries. Short-term technical cooperation can help to overcome such bottlenecks. The same is true to varying degrees in the areas of economic policy formulation and administration and management. In many low-income countries, there also exists a medium-term need for what is referred to as substitution technical cooperation or gap filling, on account of a severe shortage of government officials with appropriate skills in public administration and management in those countries. In developing countries generally, the direct transfer of new technologies or management information systems that constitute an important element of institutional building may be speeded up through technical cooperation. All forms of technical cooperation, whether short-term or long-term, if properly designed and implemented can contribute to human capacity-building under the right circumstances, which is also true for substitution technical cooperation.

E. Conditions for success and perceived shortcomings

1. Basic conditions for success at the country level

204. The general perception on the part of both multilateral and bilateral donor agencies and recipients is that technical cooperation has generally been fairly effective in terms of realizing specific project goals but largely ineffective in terms of national capacity-building in developing countries. 38/

205. The failure of technical cooperation in achieving capacity-building objectives may reflect the absence of the minimum necessary political and economic conditions for success. Political stability and a friendly political environment are necessary to motivate citizens to invest in human resources development and to encourage trained people to remain in the country. Economic stability, particularly macroeconomic balance, is important in order to enable Governments to provide the requisite inputs, human or material, in the consistent manner necessary to ensure the sustainability of activities in human

resources development and institution-building. Macroeconomic instability, which makes for the stop-go provision of resources, is not conducive to sustainability. The two ingredients have often been lacking for prolonged periods of time in many developing countries.

206. Political and economic stability are necessary but not sufficient conditions for the successful achievement of technical cooperation objectives. What is also important is full government commitment to deriving the maximum benefits from technical cooperation resources. In addition, successful technical cooperation calls for a careful assessment of needs so that programmes and projects may be designed to overcome critical bottlenecks in human resources and institutions crucial for development. Likewise, it is important to make sure that the objectives established are consistent with national absorptive capacity so that the technical know-how transmitted through technical cooperation can be fully assimilated and take root in the recipient country. Success also requires that technical cooperation resources be utilized with maximum efficiency. That calls for rigorous monitoring of project and programme implementation and evaluation of outputs against the objectives set in national programmes. Past experience shows, however, that frequently those conditions have not been met.

2. General supply-side problems

207. There have been serious shortcomings on the part of donors. In the past, although technical cooperation has been supply-driven to a considerable extent, the donor community has not developed a coherent strategy to channel technical cooperation more effectively towards capacity-building. The unsystematic approach to supplying technical cooperation has been, by definition, a project-by-project approach, which has precluded capacity-building at the sector and subsector levels, on account of the lack of complementarities among projects. The problem has been further compounded by a lack of coordination among donors and between donors and recipients, which has resulted in considerable duplication among donors and possibly a waste of donor resources. More importantly, it has caused much confusion in the recipient countries and waste of their counterpart resources. In that regard, it may be noted that the large number of visiting missions and expatriate experts have often exerted considerable pressure on the civil service of many developing countries and therefore on government resources. Technical cooperation, even when financed by grants from donors, is not totally free. A considerable amount of recipient government resources is involved in terms of civil service staff, housing and transport for expatriates, and counterpart resources. Very often the quality of experts provided by both multilateral and bilateral aid agencies has fallen below par, which has led to an erosion of the quality of project execution, 39/ a consequence of either over-eagerness on the part of both bilateral and multilateral aid agencies in taking on projects regardless of the availability of in-house expertise, or the selection of experts on the basis of dubious criteria.

208. Recipient government officials perceive the United Nations system as having distinct potential advantages compared to bilateral donor agencies. They see the United Nations system as consisting of a vast network of resources and information that the system can make available for development work without direct political or commercial vested interests. However, in the case of multilateral financial institutions, notably the World Bank, elements of conditionality are seen to mar neutrality. The recipient Governments feel that in practice, the United Nations system fails to exploit its advantages. They

see United Nations assistance efforts as being bogged down by narrow vested interests of the various parts of the system, which results in salesmanship and turf squabbles and very standard types of projects that other organizations are more efficient in delivering. They feel that while in theory the United Nations system could ensure that the best possible and most relevant expertise is made available for development work, in practice reliance is placed on old-boy networks, depriving developing countries of the best and most dedicated persons available for development work. 40/

3. Factors undermining human resources development objectives

209. Human resources development has been undermined for various reasons. Even under the best circumstances, human resources development calls for the long-term commitment of sizeable amounts of resources. In the past, however, only a relatively small share of technical cooperation resources - about 15-20 per cent - has been devoted to education and training. 41/ A recent Nordic study found that 65 per cent of technical cooperation personnel have been engaged in implementing other project goals and only some 11 per cent and 7 per cent could be defined as trainers and institution-builders. 42/

210. Human resources development, however, is expected to take place not only through direct formal education and training but also through the involvement of national personnel in technical cooperation activities. That avenue of developing human resources has failed for two main reasons: low levels of absorptive capacity of the civil service of many low-income countries and the preponderant role of expatriate experts in the design and implementation of projects even when local expertise has been available.

211. Low absorptive capacity of a number of low-income countries has resulted either from inadequate investment in education in the past and/or constraints on recruitment of qualified staff in the public sector due to budgetary problems. A major reason for the shortage of qualified personnel in the civil service of many countries is the prevalence of low salary levels, which has driven competent staff to the private sector or to positions abroad. Since the mid-1970s, the purchasing power of the public service basic pay has fallen continuously throughout the developing world, most notoriously in sub-Saharan Africa but also in Latin America and some countries of Asia. In addition, the overall salary scales for public service employees have become increasingly compressed either for egalitarian reasons or for the sake of maintaining the standards of living of employees at the lower grades against the ravages of prolonged inflation in situations of severe budgetary constraints. In any case, the compression has occurred in many countries at the expense of senior public servants and has serious implications for their morale and performance as well as for the performance of the individuals they supervise. 43/ Low salary levels in combination with inimical political situations has also deprived several countries of their most talented citizens through large-scale brain-drain. For instance 50,000 to 60,000 middle- and high-level African managers are estimated to have emigrated between 1986 and 1990. 44/

212. In response to the low levels of civil service pay in many countries, donors have often responded by providing implicit or explicit salary supplements. Those have been provided on a piecemeal and project-by-project basis and have therefore created a distorted salary structure, as well as reducing the pressure for civil service reform by enabling main functions to continue to be performed.

213. The modalities of supplying technical cooperation have also been important in hampering human resources development. Project design and implementation have relied excessively on expatriate experts even where local expertise has been available. While the shortages of and/or quality of local professionals may be a reason for the low utilization of national professionals in technical cooperation projects in some areas and some countries, that is not the case generally for all developing countries. The low utilization of national professionals is the result of supply-driven technical cooperation. Donors decide on the use of expatriates for various reasons of their own regardless of the availability of local experts. Available information indicates that the number of national professional staff recruited by United Nations agencies has increased in recent years for technical cooperation projects financed by UNDP (see A/47/419/Add.2). There has also been a decline in the use of long-term advisers in favour of short-term consultants. Comprehensive data on the use of national project personnel (NPP) is not available. By and large, however, the United Nations specialized agencies whose UNDP contributions constitute a relatively small part of their total expenditure on technical cooperation use less NPPs than the others and are less interested in the collection of detailed information on their use. In 1988, only 25 per cent of the total technical cooperation staff recruited by the United Nations agencies were national staff, with more than half of them concentrated in six countries: five Latin American countries and China. There is no indication of a change towards hiring more national professionals by the bilateral aid agencies, which provide the bulk of ODA and technical cooperation resources. A recent study found that the majority of technical cooperation experts tend to consist of long-term resident advisers. A change seems to be taking place towards greater use of short-term experts, but the use of local experts by bilateral agencies remains very limited. 45/ The low utilization of national professionals in countries where qualified professionals are available has undermined the use of local capacity and therefore the internalization of skills as well as the cost-effectiveness of projects.

214. The limited pursuit of South-South cooperation has been a further factor constraining the effectiveness of technical cooperation resources. There is growing evidence of the greater potential for developing countries to learn from each other and to utilize experts from other developing countries whose experience may be more relevant and applicable than those whose experience is largely acquired in developed countries.

215. Another major hindrance to human resources development through technical cooperation has been the ineffectiveness of the traditional expert-counterpart modality of technical cooperation. For one thing, project-related experts have generally tended to be better technicians than trainers. For another, expatriate experts have generally assumed an all-embracing local operating role, thus suffocating counterpart involvement. Very often, the huge differentials between the salaries of expatriates and their local counterparts have served as a disincentive for the full involvement of local counterparts.

4. Factors undermining institutional development

216. Institutional development is a highly complex process and like human development requires a long-term perspective. In many low-income countries, in the absence of adequate human resources the project approach to technical cooperation may have precluded institutional development, because there is an inherent conflict between the short time-frame of many projects and the long time-frame required for institutional development. Where targeted institutions

have very little absorptive capacity, it is not easy to achieve the needed degree of internalization of know-how by the local staff within the time-span of a project.

217. The shortcomings of the project approach aside, institutional development has suffered on account of the fact that aid agencies, both bilateral and multilateral, have tended to assume far too great a role in the design and implementation of institutional projects. As a result, institutions have sometimes been transplanted from the home countries of donors and experts but have failed to adapt to the existing institutional structures of recipient countries.

218. A more fundamental handicap to institutional development through technical cooperation has been the fact that many aid agencies themselves lack the institutional capacity to come to grips with the complexities of institutional development, which is an area lacking a clear conceptual framework and associated instruments. For instance, a self-evaluation of the effectiveness of technical cooperation personnel by the Nordic countries concluded that few of the technical cooperation personnel from the Nordic countries have relevant knowledge and skills in designing and implementing programmes for on-the-job training and institution-building, even if they are otherwise professionally well qualified. 46/ Consequently, inconsistent "quick-fix" approaches have predominated with little or no impact on the strengthening of sectoral or subsectoral institutions. In many cases institutions have actually been developed but have subsequently collapsed due to a lack of demand for their services, a result of faulty project design associated with donor-driven supply of technical cooperation resources, with little or no involvement of recipients at the design stage of projects.

5. Constraints on changing technical cooperation practices

219. Two major factors may militate against meaningful changes in bilateral technical cooperation. First is the open secret that donor countries pursue various political, economic and cultural goals in recipient countries and use technical cooperation as an instrument to achieve those goals. Donor countries' self-interests are often felt to be best served by their continuous presence in the recipient countries through their nationals as experts and advisors to recipient countries' Governments. That factor is likely to militate against moving in the direction of relinquishing the management of technical cooperation resources to recipient Governments and the increased use of recipient countries' nationals at all stages of technical cooperation projects. Second, over the years a wide array of consultancy firms, other business interests and research institutes have emerged in the donor countries. Those institutions have become dependent on technical cooperation for their survival and are backed up by powerful lobbies to safeguard their interests, which are best served by the traditional modalities of technical cooperation through expatriate experts. Even from a strictly financial point of view, national political processes in donor countries would be disposed to support such vested interests.

220. At the multilateral level, the United Nations specialized agencies that have become increasingly reliant on extrabudgetary funding, reflecting their growing role in project-related technical cooperation, may continue to emphasize their independent character and resist attempts at system-wide reforms for fear of losing part of their extrabudgetary resources that have become important for covering the cost of their bureaucracies. They may also resist reforms that

will reduce their leverage in dealing directly with individual developing countries.

221. To the extent that the agencies rely on funding from UNDP, the new UNDP agency support cost arrangements may force them to comply with reform measures proposed in the United Nations. 47/ The new support cost measures are meant to create incentives to encourage specialized agencies to provide technical support services (TSS-2); to give increased importance to agency involvement in upstream stages of programmes/project cycles through the provision of sectoral policy advice and the formulation of subsectoral and cross-sectoral strategies (TSS-1); and to minimize the resources allocated to administrative and operational services (AOS), 48/ i.e., for the procurement of UNDP-financed programme/project inputs.

222. The new support cost arrangements went into effect in July 1992 but have yet to become established. Thus far, very few projects relating to TSS-2 and AOS services have been approved by UNDP. It is not clear to what extent that related to the decline in resources available to UNDP. At any rate, the agencies are concerned that new support measures may transform the old tripartite relationship among UNDP, the agencies and the recipient countries into an essentially bilateral relationship between UNDP and the recipient countries.

223. A related problem is the limited commitment even on the part of recipients to translate long-standing policy recommendations into practice. Although both donors and recipients formally agree on the need for the rationalization of technical cooperation, there exist many stubborn built-in political, institutional and individual resistances to change among those that have vested interests in old arrangements. While that has been a general problem, it has been particularly severe in the least developed countries and the countries of sub-Saharan Africa generally. In several developing countries that have relatively more developed national capacities, Governments have gradually been able to improve the use of technical cooperation by more carefully defining their needs, properly managing the resources involved and insisting on greater use of local expertise, suggesting that countries that have more developed national capacities can make better use of technical cooperation than those that do not.

F. Methodological issues: efficiency of technical cooperation personnel and effectiveness of technical cooperation

224. Questions relating to the efficiency of technical cooperation personnel continue to be raised, but systematic studies of efficiency have been eschewed on account of the lack of data on the benefits of technical cooperation. Even the direct benefits of technical cooperation are not quantifiable because technical cooperation is only one of many inputs to a project. It is agreed, however, that the opportunity cost of an expatriate technical cooperation expert, where local experts that could perform a particular function equally well are available, is very high since local experts can generally be hired at much lower costs. Over-reliance on expatriate experts under such circumstances, particularly from high income countries, is therefore clearly inefficient.

225. The effectiveness of technical cooperation is often assessed in terms of the delivery of inputs rather than the achievement of objectives, but there is an emerging consensus that efforts need to be made to move in the direction of the assessment of outputs. It is sometimes argued that the effectiveness of

technical cooperation should be judged by the criterion of sustainability of the activities after the withdrawal of technical cooperation personnel. The sustainability of an activity or an institution can be undermined if the demand side of the services offered is neglected at the design stage of the project. That may often be due to the non-involvement of local beneficiaries at that stage, a problem associated with donor-driven technical cooperation. It is well to bear in mind, however, that an institution can fail for other reasons as well, such as a lack of funds for recurrent costs.

226. For the purposes of evaluation, it would help to divide technical cooperation into two categories - hard and soft. Soft technical cooperation refers to activities such as institutional development, manpower training, civil service reforms and policy advice. Hard technical cooperation refers to activities related to investment support and the implementation of capital projects such as feasibility studies, engineering, technical operations, supervision of construction, project management and other engineering services. The effectiveness of hard technical cooperation could be evaluated in terms of successful project completion within a given time-frame and the subsequent replication of projects by the nationals of a country. The cost-effectiveness of hard technical cooperation might be evaluated at the appraisal stage of a project with a view to minimizing costs by an effective mix of expatriate and local personnel. The effectiveness of soft technical cooperation is much more difficult to assess but could be done in terms of the achievement of project objectives, the sustainability of projects and their subsequent replication or an evaluation of their spread effects.

G. Efforts to increase effectiveness

1. Efforts needed at the national level

227. The effective utilization of technical cooperation resources depends upon their integration into national development efforts. Technical cooperation needs must emerge from a thorough analysis of the gaps that exist in human and institutional terms and the reasons for those gaps. The need for technical cooperation should emerge from that analysis. Furthermore, a crucial requirement in many developing countries is civil service reform, particularly where the public sector is overstaffed, while salaries and wages are too low. In many countries, higher salaries seem to be necessary to both recruit and retain qualified staff. The level of salaries would be expected to vary from country to country but they should be high enough to serve as an incentive for qualified people to join the civil service and make a career in it, which may well call for appropriate short-term budgetary adjustments. From the longer-term point of view it will be necessary to emphasize the local training of professionals in areas in which large numbers of professionals are needed instead of placing too much reliance on overseas training. Developing countries, particularly the poorer ones, may not be able to remunerate large numbers of professionals with overseas training adequately to retain them in government service or even in the country. Furthermore, raising the salaries of professionals to levels comparable in real terms to those prevailing in the industrial world would increase the salary differential in the civil service excessively and would give rise to demands for salary increases by other categories of employees. Along with adequate salaries and systems of promotion based on merit, there is a need in many countries to create a more attractive political and intellectual climate, i.e., an environment in which professionals can express criticisms of programmes and policies without fear of harassment or penalty. There is a strong case for a proportion of technical cooperation

allocations to be channelled towards budgetary support in the poorer countries, especially the least developed countries, for the specific purpose of building absorptive capacity at the sectoral and subsector levels. A number of initiatives have already been taken in that direction by United Nations agencies, but it seems that the current efforts are not yet fully commensurate to the needs.

2. Improving multilateral technical cooperation

228. Traditional technical cooperation practices have become institutionalized and entrenched but recent policy initiatives at the international level offer some hope for change in the direction of greater efficiency and effectiveness. Pursuant to General Assembly resolution 44/211, efforts are under way in the United Nations system to revamp technical cooperation practices. A review of steps taken thus far to implement the proposed reforms is contained in the report of the Secretary-General on operational activities for development (A/47/419). The major objective of the reform effort is to speed up national capacity-building in developing countries. The major emphases are on national ownership and execution of operational activities, the programme approach instead of the project approach and various institutional reform measures aimed at enhancing coordination and execution, such as internal coordination, coordination at the field level, the harmonization of programme cycles of lending agencies of the United Nations system with those of national Governments, and the decentralization of authority of United Nations agencies to the field level.

229. Underlying national ownership and execution is the central principle that all programmes and related projects be formulated and carried out by recipient Governments. National execution requires that, rather than United Nations agencies, the recipient countries should have the central responsibility for executing programmes and coordinating the activities of donors, with the United Nations agencies supplying assistance when and where requested. That approach offers several advantages. If implemented as envisaged, it will make technical cooperation more demand-driven, which will make for a better fit between resources and genuine needs. National execution can serve as a useful instrument for handing over managerial responsibility to recipient countries' nationals, which will help maximize the utilization of local expertise and strengthen national capacity. The greater use of qualified nationals in all aspects of technical cooperation will also improve the cost-effectiveness of technical cooperation activities.

230. Another consequence of national execution is expected to be increased competition by the agencies of the United Nations system both among themselves and with private consulting firms. Over time that should lead to greater specialization among the agencies and the emergence of comparative advantages in supplying technical cooperation services building on the expertise acquired by some of them in their information gathering and analytical research activities.

231. The programme approach calls for the articulation by recipient Governments of complete sector or subsector multi-year programmes consistent with their development plans and priorities. It is envisaged that the programmes will specify policies, strategies and component elements, including technical cooperation needs. They are then to be presented to the donor community for globally coordinated financing. The programme approach has a number of advantages. Programmes, unlike projects, may have the long-term perspective required for capacity-building. They enable the targeting and concentration of

technical cooperation inputs in a coherent manner in priority areas. Since recipient Governments are to articulate the programmes, the approach may lead to a broader utilization of national skills both at the design and execution levels. Programmes could also serve as a useful instrument in coordinating donor efforts in capacity-building.

232. The reform proposals also aim at achieving a unified response of the United Nations system to the needs of developing countries. It is envisaged to achieve a unified response through four measures: (a) establishing the common goals and strategies of the United Nations system on specific programmes formulated by developing countries through internal coordination among United Nations agencies (in the past, a number of United Nations agencies had their own particular goals and strategies on specific themes such as maternal health, family planning, safe drinking water etc., which made a unified response impossible); (b) harmonizing programming cycles of lending agencies of the United Nations system with those of national Governments; (c) improving coordination of the activities of the United Nations system at the country level by strengthening the role of United Nations resident coordinators, who are to be vested with adequate authority to provide leadership and coordinate the activities of the entire United Nations system at the country level; and (d) housing of all United Nations organizations in common premises at the country level in order to facilitate inter-agency consultations and coordination.

233. In addition, the reform proposals aim at achieving a country-focused response through decentralization. Decentralization calls for the decentralization of capacity and resources and the delegation of the maximum possible authority by United Nations agencies to their country offices to make decisions on programmes and projects formulation and their subsequent approval and implementation. The aim is to ensure cultural, social and economic specificity in the operational activities of the United Nations system with developing countries; to bring the decision-making process close to those who benefit from the services offered; to enhance the effectiveness of collaboration among the agencies; to ensure closer cooperation of the United Nations agencies with the resident coordinators; and to improve the speed, quality and efficiency of implementation.

234. The reform proposals appropriately feature the needs for greater accountability and simplification of accountability procedures relating to technical cooperation. A project currently under way in the United Nations aims at accomplishing these objectives in three stages: (a) the collection and assessment of data for donor aid accountability profiles, (b) test cases in developing countries to determine capacity and level of compliance in fulfilling various accountability obligations, and (c) proposals for new accountability methods and standards, reflecting the interests and collaboration of donors and recipients.

235. While the reform initiatives taken in the United Nations system are a step in the right direction and it is still too early to evaluate their effectiveness and to look into the need for better alternatives, several problems are foreseen. The major short-to-medium term constraint to the programme approach and the principle of national ownership and execution in many developing countries is the shortage of personnel qualified to formulate coherent programmes and related projects and to oversee their implementation. That obstacle could be overcome with the help of expatriate experts working under the direction of nationals during a transition period, during which an adequate number of nationals could be trained to meet foreseen needs. To ensure that technical cooperation requirements reflect genuine demand, however, the use of

expatriates in programme/project formulation should be quickly phased out. As mentioned above, the training of national professionals to overcome bottlenecks would be facilitated if a larger portion of technical cooperation resources available to the United Nations agencies could be allocated to meet the training needs of individual countries. Moreover, for the programme approach to be effective, care should be taken to formulate consistent programmes at the sector and subsector levels and to guard against programmes deteriorating into mere compilations of inconsistent projects. The recent UNDP initiative of assisting developing countries in developing technical cooperation programmes through its National Technical Cooperation Assessment and Programmes (NaTCAPs) facility might serve as a viable short-to-medium term measure, but should not be seen as a substitute for training nationals in formulating and executing technical cooperation programmes.

236. The NaTCAPs aim at improving the management of technical cooperation by Governments through obtaining systematic and comprehensive information on the technical cooperation resources being provided by the donor community; developing and issuing policy statements and guidelines on the priorities, purposes and uses of technical cooperation; and developing comprehensive technical cooperation programmes as complements to Governments' public investment programmes and annual budgets. The exercise, however, remains a supply-driven exercise. It assumes the existence of appropriate institutions and is far too dependent on external support to evolve into a major tool for the effective management of human and institutional capacities. Furthermore, it is an extremely complex exercise since it aims at integrating technical cooperation into national budgets involving hundreds of projects under different financing and management systems, which makes it extremely intensive in time and resources.

237. The establishment of common goals and strategies by United Nations organizations on specific themes through internal coordination should be feasible. In point of fact, efforts are already under way to achieve that objective. Appropriate modalities need to be adopted, however, to ensure that internal coordination is done speedily and efficiently and to guard against the process falling under the domination of the larger funding agencies. Coordination at the field level may pose bigger problems since it involves coordination of the activities of staff members of various organizations, whose allegiance will be primarily to their own organizations, which may assume conflicting positions on particular activities. The task of external coordination would be greatly eased if at the stage of internal coordination all the differences among the agencies were ironed out. At any rate, it remains to be seen whether the envisaged independent coordinators with the rank of ambassador can do the job effectively. Decentralization, which along with decentralization of staff resources to the field involves the delegation of authority by the agencies to their country offices and field staff, is also likely to pose some problems. To start with, it is not clear whether it will be possible to locate the wide range of technical sectors and subsectors at the country level, nor is it clear how to achieve the participation at the country level of organizations that do not have a field presence or are decentralized only at the regional or subregional level. From the point of view of individual organizations, there is the question of whether the decentralization of authority will impair the accountability of agencies to their governing bodies. At any rate, efforts are needed by way of appropriate restructuring of donor agencies to achieve maximum decentralization.

3. Some recent multilateral initiatives towards approaches to capacity-building

238. Several initiatives have been taken in recent years by United Nations agencies, singly and in collaboration, to meet the long-term institutional needs of developing countries. 49/ The efforts are directed to a considerable extent to the poorer countries, in particular countries of sub-Saharan Africa.

239. The World Bank Sectoral Development Loans Programme, which has been in existence for some time, offers possibilities for long-term capacity-building at the sectoral level as it provides a national multi-year sector development strategy. The African Capacity-Building Initiative of the World Bank, UNDP and many bilateral donors, aims at building a critical mass of professional African policy analysts and economic managers with a view to putting Africa more in control of its own development progress and to reduce dependence on foreign expertise. The UNEDIL, (UNDP, Economic Development Institute of the World Bank (EDI), and the International Labour Organization (ILO)) an inter-agency programme, has been set up with the aim of building indigenous competence in 16 African management institutions and three regional organizations in order to avoid traditional reliance on expatriates. The programme is focused on civil service improvements, State enterprise reform and private sector development. The Special Programme for Administration and Management, an inter-agency programme under the leadership of UNDP, has been created to provide technical cooperation to improve administration and management capability in Sub-Saharan Africa. The Management Development Programme of UNDP is focused on improving the efficiency and productivity of the public and parastatal sectors, the capacity of the Government to formulate and implement long-term reform policies and to reorganize the civil service in poor countries, particularly the least developed. The Agricultural Management and Training for Africa Programme (AMTA) is an inter-agency programme with the objective of training project managers in agriculture to develop curricula and training materials and to improve regional and vocational institutions. The Agriculture and Rural Development Network is a facility set up to improve the capacities for sector planning and management development in the African region, as a complement to AMTA. The Special Programme for African Agricultural Research of the World Bank focuses on building and strengthening Africa's institutional capacity needs in the agricultural sciences. The African Economic Research Consortium has been set up to strengthen Africa's capacity in the area of economic policy formulation. Although it is not a new initiative, mention needs to be made of the ILO training centre in Turin, which has been in existence for over a quarter century. The centre provides technical and vocational training to selected in-service civil service staff of developing countries in a number of fields. The Lomé IV Convention has worked out several mechanisms to encourage cooperation between national and foreign consultancy firms through what is referred to as twinning arrangements. Such arrangements can play a very important role in building-up expertise in the private sector that can be utilized throughout the economy. The latter are all institutions with long-term objectives and their effectiveness can be assessed only over the long term, but they need to be carefully nurtured and adequately funded in order to enhance the quality of their output and the extent of their coverages.

4. Reform of bilateral technical cooperation

240. In view of the fact that the bulk of aid originates from bilateral sources, it is absolutely crucial that the effectiveness of bilateral technical cooperation also be improved. Questions arise regarding the extent to which

bilateral aid agencies will agree to national ownership and execution and the programme approach to technical cooperation and whether they are amenable to establishing common goals and strategies on specific themes or programmes for individual countries consistent with country programmes formulated by recipient countries as United Nations agencies are required to do under the current reform efforts. Likewise, there is the question whether they will agree to coordinate their activities at the field level. In other words, will the reform measures being taken in the United Nations system be adopted by bilateral programmes?

241. There are some encouraging signs that bilateral technical cooperation practices are also poised to undergo changes in the future. The DAC of OECD took the initiative to issue a call for new orientations in technical cooperation, which it was hoped would have a significant impact on bilateral technical cooperation practices. In the resulting principles, it is agreed that technical cooperation should emphasize long-term capacity-building in developing countries rather than immediate short-term performance improvement and that donors should assign to developing countries the central role in the planning, design and management of technical cooperation; adopt a programme rather than the project-by-project approach; encourage involvement in technical cooperation programmes and projects at all stages by the intended beneficiaries through participatory approaches; emphasize sustainable development of long-term institution-building that will make for self-reliance; recognize the needs of the private sector for technical cooperation; define all objectives in terms of outcomes to be achieved rather than inputs to be provided; and pay greater attention to the costs and cost-effectiveness of technical cooperation activities. Adoption of those principles by DAC member countries in 1991 in practice constitutes a welcome and fundamental reorientation of bilateral technical cooperation practices, very much in line with the reform efforts under way in the United Nations.

242. Although the principles were adopted by DAC members in 1991, they have not been implemented. Experience indicates that bilateral donors are reluctant to undertake reforms in technical cooperation practices, for various reasons.

H. Requirements of technical cooperation in the 1990s

1. The context of technical cooperation in the 1990s

243. The current decade will mark a new era in ODA and the technical cooperation associated with it. Recent political developments, particularly in central and eastern Europe, have brought about a major change in the international context for development cooperation. The political configuration of countries has changed; the number of nation States has increased. Many of those countries are grappling with the problems of a new political and economic ethos that calls for the establishment of democratic and market-based institutions with which they are largely unfamiliar. Those countries expect to draw on considerable assistance from the international community in order to put their political and economic systems on a new footing. In the context of new areas of technical cooperation activity and the dim overall prospects for ODA flows, the importance of enhancing the effectiveness of technical cooperation cannot be overemphasized.

2. Areas requiring enhanced emphasis in the 1990s

244. The traditional preoccupation of technical cooperation in the developing countries will continue, with an emphasis on institutional and human resources development. Developing countries need to make greater efforts to better manage their development resources, including technical cooperation, starting in many countries with appropriate civil service reforms. With the changing configuration of political and economic forces in the developing world, new actors have emerged with a bigger role in economic and social development, most importantly non-governmental organizations and the private sector. There is therefore a need for changing the modalities of technical cooperation to support civil society more broadly. So far, technical cooperation has been too narrowly restricted to the government sector. Given the enhanced role of the private sector, it is high time to adapt the supply of technical cooperation to meet the latent demands of the private sector, if necessary by appropriate modifications of the mandates of donor agencies.

245. The current decade has ushered in new areas of concern in the developing world that also call for enhanced technical and financial cooperation from the international community. Many of those concerns will also be at the top of the international development agenda. Among the more important of such concerns are the maintenance of environmental integrity in its various facets in the course of economic development; the formulation and implementation of effective population policies in many parts of the developing world; the promotion of social development in all its aspects, particularly in the areas of education, nutrition, primary health care, child and maternal welfare, safe drinking water and sanitation, the social empowerment of women, and the full participation of all groups in society in economic and social activities; the promotion of wholesome urban development; and safeguarding human rights. While most of those concerns are basically the responsibilities of individual countries, implementing them will entail considerable amounts of financial and technical resources beyond the means of many developing countries.

3. Changing modalities of technical cooperation

246. As discussed above, active efforts are under way to change the modalities of technical cooperation at the multilateral level. There are also some signs that bilateral technical cooperation will undergo changes in the present decade. All efforts that aim at placing decision-making processes under recipient control and making technical cooperation more demand-driven need to be encouraged.

247. A few points need particular mention. No effort should be spared to ensure a better integration of the mandates of the United Nations actors in the area of technical cooperation. Closer coordination is a necessary condition for the effective delivery and the effectiveness of technical cooperation. It is also absolutely necessary for United Nations agencies to build a symbiotic relationship between research and technical cooperation. Technical cooperation capabilities should actually emerge from research work in order to ensure that technical cooperation personnel will operate on the frontiers of knowledge. The practice of career technical cooperation has too often resulted in the provision of stale advice and the indiscriminate replication of experiences from one country to another.

248. Furthermore, technical cooperation should aim at overcoming critical bottlenecks in institutions and human resources, identified at the country

level. Since critical needs will vary from country to country, technical cooperation activities should vary accordingly. In some countries, the need for substitution of technical cooperation will persist for some time; in others the preoccupation will be with longer-term human resources and institutional needs. Donor agencies need to evolve a concerted long-term strategy for institution-building based on needs. A concerted strategy is necessary to ensure that new institutions compatible with one another are created to overcome sectoral and subsectoral bottlenecks. A concerted strategy is also needed to make the provision of technical cooperation in emergencies timely and effective. In connection with institution building, modern techniques need to be emphasized. For instance, the establishment of management information systems may be a priority in many countries. The establishment of such systems should take into account the full potential of informatics technology whenever it can raise productivity.

249. A crucial requirement for increasing the effectiveness of the supply of technical cooperation will be the decentralization of multilateral and bilateral technical cooperation staff to the country level, the only way to acquire a thorough familiarity with the specific problems, bottlenecks and needs of individual countries. Determining the assistance needs of individual countries from the headquarters of donor agencies is a hopeless endeavour and makes for a considerable waste of resources. Decentralization is already being implemented in the United Nations but is currently facing considerable resistance. A restructuring of donor agencies' bureaucracies may well be necessary to achieve the goals of decentralization.

250. The importance of the idea of national ownership and execution of technical cooperation cannot be overemphasized. In the cases of countries where civil order has broken down or which have suffered substantial losses of qualified people in the course of prolonged civil unrest, however, there may be a short-to-medium term need for a quasi supra-national body - a recipient/donor commission under the auspices of the United Nations with full responsibility for determining critical technical cooperation needs and for channelling technical cooperation resources from all sources, both bilateral and multilateral, to meet those needs in a concerted manner. With impartial staffing, such a body might prove to be more efficient in putting such countries back on their feet than the normal modalities of technical cooperation.

251. As already discussed above, more serious efforts are needed to evaluate both the effectiveness of technical cooperation in achieving desired objectives and the cost-effectiveness of technical cooperation, which is absolutely crucial regardless of whether ODA and its technical cooperation component increase adequately or not in the decade. If technical cooperation is not effective, it is useless; if it is not cost-effective it is wasteful.

V. GENERAL REVIEW OF THE LIST OF THE LEAST DEVELOPED COUNTRIES

A. Introduction

252. At its forty-sixth session, the General Assembly requested the Committee for Development Planning to undertake every three years a general review of the list of low-income countries with a view to identifying which of those countries should qualify for inclusion in, or graduation from, the list of least developed countries and to present that review to the Assembly, through the Economic and Social Council. In response to that request, the Committee carried out a general review at its current session on the basis of the criteria adopted by the General Assembly at its forty-sixth session. 50/ The per capita GDP criterion was updated on the basis of the new upper limit set for low-income countries by the World Bank in 1991 and according to the procedures adopted by the General Assembly in 1991. The cut-off points on the criteria used for the review were $699 for per capita GDP, 26 for economic diversification index (EDI) and 47 for augmented physical quality of life index (APQLI).

B. Recommendations

253. On the basis of the criteria and their application, the Committee has assessed the eligibility of countries as described below. At the first stage, countries were considered on the basis of population size, per capita GDP, APQLI and EDI. The following 35 countries shown in group I (see table 1) meet all four criteria: Afghanistan, Angola, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, the Comoros, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Malawi, Mali, Mauritania, Nepal, Niger, Rwanda, Sao Tome and Principe, Sierra Leone, Solomon Islands, Somalia, Sudan, Togo, Uganda, the United Republic of Tanzania, Yemen, Zaire and Zambia.

254. Of this total of 35 countries, three - Angola, Eritrea and Ghana - are not currently on the list of least developed countries. However, among those countries, Ghana has made substantial progress since the Committee conducted its review in 1991 and its EDI is now at the cut-off value for that index. Moreover, the Government of Ghana expects that a continuation of its current economic policies will soon result in further improvement. Accordingly, the Committee recommends against the inclusion of Ghana. In the case of Eritrea, a new State formerly part of Ethiopia which is on the list of the least developed countries and all three of whose indicators are well below the respective cut-off points, the Committee recommends that the country be added to the list, pending the development of an adequate statistical database.

255. The second stage of assessment was based on the APQLI and the other indicators relevant for countries in group II. Haiti and Mozambique meet the per capita GDP criterion and the APQLI but not the EDI. Those countries are already on the list and the Committee recommends that they be retained since they do not meet the graduation rule. Kenya meets the per capita GDP criterion and is on the borderline with respect to the APQLI and above the cut-off point for the EDI. The Committee recommends against the inclusion of Kenya on the list.

256. The third stage of assessment was based on the EDI and the other indicators relevant for countries in group III. Four countries - Kiribati, the Lao People’s Democratic Republic, Lesotho and Madagascar - all meet the per capita

GDP and the EDI but not the APQLI criteria. Since they are already on the list, the Committee recommends that they be retained since they do not meet the graduation rule.

257. Five countries - Guyana, Nicaragua, Sri Lanka, Viet Nam and Zimbabwe (group IV) - have a per capita GDP below the cut-off point on the per capita GDP criterion but do not meet either the APQLI or the EDI. The Committee does not recommend any of them for inclusion.

258. The foregoing assessment was made for low-income countries, defined for present purposes as those whose per capita GDP fell below the cut-off point on the per capita GDP criterion. The per capita GDP of nine countries currently on the list of least developed countries (group VI) - Afghanistan, Botswana, Cape Verde, Djibouti, Maldives, Myanmar, Samoa, Tuvalu and Vanuatu - exceeded the cut-off point on the per capita GDP criterion and have been assessed separately in the light of the graduation rules.

259. Botswana continues to meet the graduation criteria. Accordingly, the Committee reaffirms its recommendation for graduation from the list, now that three years have elapsed since it first recommended graduation in 1991.

260. Djibouti, Samoa and Tuvalu do not meet the graduation rule. In the case of Djibouti, the APQLI and the EDI are extremely low. In the cases of Maldives, Myanmar, Samoa and Tuvalu, while the APQLI is above the level needed for graduation, GDP per capita does not yet appear to exceed the required level ($699 plus $100).

261. Cape Verde would appear to satisfy the graduation rules. However, between the third quarter of 1992 and the third quarter of 1993 its exchange rate depreciated against the dollar by 31 per cent with an underlying inflation rate of about 8 per cent. Thus, GDP per capita could easily be substantially overestimated. The Committee recommends that Cape Verde be retained on the list.

262. The remaining country, Vanuatu, satisfies the graduation rule and the Committee recommends its graduation from the list, provided that this finding is confirmed at the time of the 1997 review.

263. The Committee also considered the cases of economies in transition that have the lowest per capita GDP among the group of countries in eastern Europe and in the territory of the former Soviet Union. Sufficient data are not available to compute the composite indices for those countries. The two indicators that are available, life expectancy at birth and adult literacy, suggest an APQLI higher than the cut-off point for least-developed country designation but that cannot yet be verified. The Committee suggests that the relevant information be collected on the countries in the group that qualify as low income by World Bank criteria.

264. In conclusion, the Committee recommends (a) that two new countries - Angola and Eritrea - be added to the list; (b) that Botswana be graduated from the list immediately; and (c) that Vanuatu be graduated from the list in 1997, conditional upon a review in that year.

Table 9. Criteria for identifying least developed countries

Country	Per capita GDP a/	APQLI b/	EDI c/
Group I. Per capita GDP of $699 or less, population of 75 million or less, APQLI of 47 or less, EDI of 26 or less			
Afghanistan d/	253	12	20
Angola e/	591	28	9
Benin	415	25	17
Bhutan	164	29	22
Burkina Faso	249	20	24
Burundi	199	23	10
Cambodia	101	33	21
Central African Republic	496	26	15
Chad	230	18	13
Comoros	450	35	13
Equatorial Guinea	474	35	16
Eritrea e/	--	--	--
Ethiopia	108	23	23
Gambia	355	25	22
Ghana e/	409	40	26
Guinea	493	19	8
Guinea-Bissau	210	24	13
Liberia	392	29	23
Malawi	209	35	15
Mali	271	16	15
Mauritania	573	29	15
Nepal	147	34	13
Niger	321	17	8
Rwanda	261	30	17
Sao Tome and Principe	340	46	10
Sierra Leone	140	17	20
Solomon Islands	583	27	24
Somalia	51	14	18
Sudan d/	400	24	22
Togo	503	41	20
Uganda	159	35	6
United Republic of Tanzania	104	45	25
Yemen	677	36	13
Zaire	95	42	15
Zambia	412	45	16
Group II. Per capita GDP of $699 or less, population of 75 million or less, APQLI of 47 or less, EDI above 26			
Haiti	308	36	31
Kenya e/	346	47	28
Mozambique	77	20	29
Group III. Per capital GDP of $699 or less, population of 75 million or less, APQLI above 47, EDI of 26 or less			
Kiribati	529	68	17
Lao People's Democratic Republic	238	52	23
Lesotho	358	52	21
Madagascar	238	48	24

Country	Per capita GDP a/	APQLI b/	EDI c/
Group IV. Per capita GDP of $699 or less, population of 75 million or less, APQLI above 47, EDI above 26			
Guyana e/	297	75	28
Nicaragua e/	377	59	30
Sri Lanka e/	505	70	30
Viet Nam e/	121	58	27
Zimbabwe e/	584	56	38
Group V. Per capita GDP of $699 or less, population greater than 75 million			
Bangladesh	211	31	21
China e/	345	70	38
India e/	325	47	36
Indonesia e/	624	63	31
Nigeria e/	282	35	7
Pakistan e/	422	34	33
Group VI. Currently classified as least developed, per capita GDP above $699			
Botswana	2 795	55	19
Cape Verde	940	63	17
Djibouti	1 238	23	19
Maldives	721	53	11
Myanmar	701	57	26
Samoa	750	73	26
Tuvalu	712	65	21
Vanuatu	1 115	53	20

Note: 1. Inclusion rule. A country will qualify for inclusion if it meets all four formal criteria, namely, population size, per capita income, the APQLI and the EDI, subject to the judgement of the Committee on the natural endowment index and its component indicators, exports of petroleum as a percentage of total exports and ODA; or if it meets the population and per capita income criteria, and the APQLI or the EDI, and is land-locked, is a small country with a population of 1 million or less, or suffers from frequent severe climatic risks, such as drought, floods and cyclones. Inclusions will be subject to the judgement of the Committee or other considerations.

2. Graduation rule. A country will be graduated from the list if it has exceeded the cut-off point on the per capita income criterion relevant at the time a review is carried out and the cut-off point on either the APQLI or the EDI for three years, or if it has exceeded the cut-off points on both the APQLI and the EDI, even if its per capita income remained below the cut-off point on the per capita income criterion. The margins by which the cut-off points need to be exceeded are set at $100 for per capita income, 5 points for the APQLI and 3 points for the EDI.

(Footnotes to table on following page)

(Footnotes to table 9)

a/ United States dollars, annual average, 1990-1992.

b/ Augmented physical quality of life index, comprising life expectancy at birth, per capita calorie supply, combined primary and secondary school enrolment, and adult literacy rate.

c/ Economic diversification index, comprising share of manufacturing in GDP, export concentration ratio, per capita consumption of electricity and the share of the labour force in industry.

d/ Due to extremely high rates of inflation coinciding with fixed official exchange rates, proxy exchange rates calculated by the Statistical Division of the United Nations Secretariat were used to improve comparability of per capita GDP.

e/ Not on the current list.

265. If these recommendations are approved by the General Assembly, there will be 48 countries on the list of the least developed countries. The Committee wishes to point out that the recommended changes to the list will have implications for the Programme of Action for the Least Developed Countries in the 1990s in general and for the ODA targets agreed therein.

VI. ORGANIZATION OF THE SESSION

266. The twenty-ninth session of the Committee for Development Planning was held at United Nations Headquarters in New York, 12-14 January 1994. Seventeen members for the Committee attended: Abdlatif Y. AL-HAMAD, Just FAALAND, Ricardo FFRENCH-DAVIS, Tchaboure Ayme GOGUE, Keith GRIFFIN, Patrick GUILLAUMONT, Mahbub UL HAQ, Ryokichi HIRONO, Nicolai LIVENTSEV, Solita Collas MONSOD, Henry NAU, Maureen O'NEIL, Ademola OYEJIDE, PU Shan, Akilagpa SAWYERR, Udo Ernst SIMONIS and Miguel URRUTIA. Seven members were unable to attend: Gerassimos ARSENIS, Edmar BACHA, P. N. DHAR, Karel DYBA, Helen HUGHES, George SURANYI and Ferdinand VAN DAM.

267. The officers elected at the twenty-ninth session for a term ending on 31 March 1994 were:

Chairman: Abdlatif Y. AL-HAMAD

Rapporteur: Keith GRIFFIN

268. The session was opened by its outgoing Chairman, Abdlatif Y. AL-HAMAD. Following the election of officers and the adoption of the agenda, the Under-Secretary-General for Policy Coordination and Sustainable Development addressed the Committee. He expressed his appreciation to the Committee for the excellent quality of their work over the years and for the time and effort each member had devoted to the Committee's work. He informed the Committee of deliberations under way within the Economic and Social Council on new modalities for discharging the mandates entrusted to the Committee over the years. He expressed the hope that such changes as might be agreed would lead to greater use by intergovernmental bodies and by the Secretary-General of the collective expertise on development issues shared by the members of the Committee.

269. Preparations for the session had been carried out by three working groups of the Committee. The working group on the world economic outlook (Geneva, 29 September-2 October 1992) consisted of Gerassimos ARSENIS (Chairman), Miguel URRUTIA (Rapporteur), Edmar BACHA, and co-opted experts Iwan AZIS, Muchkund DUBEY, Jan KREGEL and Peter PAULY. The working group on population, growth and migration in relation to natural resources, environment and development (Geneva, 10-13 January 1993) consisted of Solita C. MONSOD (Chairman), Maureen O'NEIL (Rapporteur), Patrick GUILLAUMONT, Nicolai LIVENTSEV and co-opted expert George TAPINOS. The working group on technical assistance in the context of the role of the United Nations in international economic cooperation (New York, 10-13 November 1992) consisted of Akilagpa SAWYERR (Chairman), Just FAALAND (Rapporteur), P. N. DHAR and Ademola OYEJIDE.

270. An intrasessional working group on the identification of the least developed among the developing countries consisted of Patrick GUILLAUMONT (Rapporteur), Nicolai LIVENTSEV and Tchaboure GOGUE.

271. Substantive services for the session were provided by the Department for Policy Coordination and Sustainable Development of the United Nations Secretariat. The following bodies were represented at the session: Department for Economic and Social Information and Policy Analysis, and Department for Development Support and Management Services of the United Nations Secretariat; United Nations Development Programme; United Nations Population Fund; United Nations University/WIDER; World Food Programme; Economic Commission for Latin America and the Caribbean; Economic and Social Commission for Asia and the

Pacific; United Nations Conference on Trade and Development; Food and Agriculture Organization of the United Nations; World Bank; and International Monetary Fund; United Nations Industrial Development Organization; and United Nations Educational, Scientific and Cultural Organization.

Notes

1/ "DAC: Stocktaking and updating international aid", Organisation for Economic Cooperation and Development (Paris), 19 December 1993 (SG/PRESS(93)77).

2/ Report of the Committee for Development Planning on its twenty-eighth session (Official Records of the Economic and Social Council, 1992, Supplement No. 7), chap. V.

3/ For an extensive discussion of the problems of designing economic policy for economies in transition, see report of the Committee for Development Planning on its twenty-seventh session (Report of the Economic and Social Council, 1991, Supplement No. 11), chap. III.

4/ World Population Prospects: The 1992 Revision, Statistical Papers, Series A, No. 135 (United Nations publications, Sales No. E.93.XIII.7).

5/ Hobcraft, J., J. McDonald and S. Rutstein, "Socio-economic factors in infant and child mortality: a cross-national comparison", Population Studies, vol. 38 (1984), No. 2.

6/ Based on multivariate analysis of an index of child mortality (ratio of the number of child deaths to the "expected" number of dead children), as reported in Caldwell, J. C. and P. F. McDonald, "Influence of maternal education on infant and child mortality: levels and causes", in International Population Conference, Manila, 1981: Solicited Papers (Liège, International Union for the Scientific Study of Population, 1981, vol. 2, pp. 79-96, and in Socio-Economic Differentials in Child Mortality in Developing Countries (United Nations publication, Sales No. E.85.XIII.7).

7/ World Health Organization, Maternal Mortality Rates: A Tabulation of Available Information.

8/ World Health Organization, Maternal Mortality Rates: A Global Factbook (Geneva, 1991).

9/ World Population Monitoring 1989, Statistical Papers, Series A, No. 113 (United Nations publication, Sales No. E.89.XIII.12).

10/ Hobcraft, I., J. McDonald and S. Rutstein, "Child-spacing effects on infant and early child mortality", in Population Index, vol. 49 (1983), No. 4.

11/ Fertility Behaviour in the Context of Development: Evidence from the World Fertility Survey (United Nations publication, Sales No. E.86.XIII.5).

12/ Improvements in child survival generate various distinct but closely interdependent types of changes in patterns of reproduction, which typically result in lower fertility levels. Several of these, in particular "the physiological effect", which links a child’s death with a shortening of birth intervals through its effect on lactational amenorrhoea and the "replacement effect", which links a child’s death to birth spacing and fertility through the

interruption of family planning, are rather modest in magnitude, resulting in a maximum in 300 to 500 fewer births for every 1,000 fewer child deaths.

13/ Family Building by Fate of Design: a Study of Relationships between Child Survival and Fertility, Statistical Papers, Series R, No. 74 (ST/ESA/SER.R/74).

14/ See, for example, Amartya Sen, "The economics of life and death", Scientific American (May 1993), pp. 40-47.

15/ United Nations Conference on Trade and Development, Trade and Development Report, 1992, pp. 36-37.

16/ International Labour Office, Economically Active Population 1950-2025 (Geneva, 1986), vol. V.

17/ United Nations Population Fund, Consultative Meeting of Economists, "Statement on population growth and economic development" (29 September 1992). See also World Bank, World Development Report 1984, p. 79; National Research Council, Population Growth and Economic Development: Policy Questions (1986); and Allen C. Kelley, "Economic consequences of population change in the third world", Journal of Economic Literature (December 1988), pp. 1685-1728.

18/ As a description of demographic trends, demographic transition refers to the pattern of changes in mortality and fertility levels from an initial situation with high mortality and high fertility to an ultimate state characterized by low mortality and low fertility.

19/ Tapinos, George P., "Migration and development", mimeographed report prepared for the United Nations Committee for Development Planning (January 1993), p. 2.

20/ Ibid., pp. 2-3.

21/ Zlotnik, H., "South-North migration since 1960: the view from the North", in United Nations Population Bulletin, 31/32 (1991) and unpublished calculations by the author for more recent years.

22/ Secretariat of the Inter-Governmental Consultations on Asylum, Refugee and Migration Policies, North America and Australia, "The country assessment approach and beyond" (Geneva), mimeograph (N-05/92).

23/ As of 17 December 1993; the estimated number of the global refugee population is based on figures provided by Governments according to their own records and methods of estimation and is monitored by the Office of the United Nations High Commissioner for Refugees, Geneva.

24/ United Nations Research Institute for Social Development, "Survey of the social and economic conditions of Afghan refugees in Pakistan", working paper (Geneva, 1987).

25/ K. Davis, "The theory of change and response in modern demographic history", Population Index, vol. 29, No. 4 (1963), pp. 345-365.

26/ Leonard, H. J., ed., Environment and the Poor: Development Strategies for a Common Agenda (1989), p. 19.

27/ United Nations Environment Programme, General Assessment of the Progress in the Implementation of the Plan of Action to Combat Desertification 1978-1984 (1984), and Economic and Social Commission for Asia and the Pacific, State of the Environment (1990), p. 19.

28/ Food and Agriculture Organization of the United Nations, Sustainable Development and Natural Resource Management (1990), p. 13.

29/ Postel, S., "Halting land degradation", in Economic and Social Commission for Asia and the Pacific, op. cit., p. 32.

30/ Food and Agriculture Organization of the United Nations, "Report on forest resources assessment, 1990 Project, final report", March 1993.

31/ International Task Force on Forestry Research, A Global Strategy for Tropical Forests (1988), p. 29.

32/ Leonard, op. cit., p. 23.

33/ Oodit, D. and U. Simonis, Water and Development (Berlin, WZB, 1989), p. 11.

34/ Ibid., pp. 12-13.

35/ A. A. Churchill, and R. J. Saunders, "Global warming and the developing world", Finance and Development, June 1991.

36/ "Population, Development and the Environment: An Overview", January 1992, mimeograph.

37/ Organisation for Economic Cooperation and Development, Geographical Distribution of Financial Flows to Developing Countries, 1992, p. 9.

38/ Developing countries have chosen not to express negative views on technical cooperation in a formal manner. Their views by way of informal remarks are to be found scattered in many documents. UNDP has reported the consensus views of African Ministers of Planning in its report, Cluster Meetings of African Ministers of Planning, November/December 1988. The views of donor agencies are expressed in a large number of documents published in recent years, some of which are: OECD/DAC, Principles for New Orientations in Technical Cooperation, 1991; UNDP, Capacity-Building for Aid Coordination in the Least Developed Countries; The Nordic United Nations Project, Perspectives on Multilateral Assistance, 1990; and World Bank, The African Capacity-Building Initiative, 1991.

39/ With regard to the quality of project execution by United Nations specialized agencies, see "The United Nations: issues and options", Studies financed by the Nordic United Nations Project (1991), pp. 154-155 and Nordic Project, Perspectives on Multilateral Assistance, p. 21.

40/ Nordic United Nations Project, Perspectives of Multilateral Assistance (1990), pp. 12-22.

41/ J. Bossuyt et al., New Avenues for Technical Cooperation in Africa (1992), p. 17.

42/ Forss, K. et al., Effectiveness of Technical Assistance Personnel (1990), p. 37. The figures cited in this paragraph provide broad orders of magnitude but because of a lack of consistency in the definition of education and training they must be interpreted with caution. Some elements of project-related training, for instance, are not consistently classified as training.

43/ See International Labour Organization, World Labour Report, 1989. In some countries, salary compression may well have been offset, in part or in full, by various kinds of allowances to senior public officials.

44/ J. Bossuyt, op. cit, p. 16.

45/ J. Bossuyt, op. cit, p. 10.

46/ K. Forss, op. cit., p. 159.

47/ For details on the new UNDP agency support cost arrangements, also referred to as the successor arrangements, see UNDP, Guidelines for Determination of Execution and Implementation Arrangements and Successor Arrangements for Agency Support Costs, Rev.1, October 1992.

48/ TSS stands for Technical Support Services. TSS-1 refers to technical support services at the programme level. TSS-2 refers to technical support services at the project level. AOS stands for Administrative and Operational Services.

49/ See World Bank, The African Capacity-Building Initiative, 1991.

50/ The Committee made one technical refinement to the criteria in order to improve the contribution of the indicator, per capita consumption of electricity, to the economic diversification index (EDI). The maximum value of the indicator was restricted to 8,000 kwh. The indicator values were then put on a square-root scale and the cut-off point on the resulting EDI was set at 26 because this change resulted in an increase in the mean value of the EDI of about 4 points.

Annex I

AGENDA

1. Adoption of agenda and organization of work.

2. Election of officers.

3. The world economic outlook, 1993-2001: report of Working Group I.

4. Population growth and migration in relation to natural resources, environment and development: report of Working Group II.

5. Technical cooperation for development: report of Working Group III.

6. Identification of the least developed among the developing countries.

7. Other business.

8. Adoption of the report of the Committee on its twenty-ninth session.

Annex II

LIST OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

	Country	Date of inclusion on the list
1.	Afghanistan	1971
2.	Benin	"
3.	Bhutan	"
4.	Botswana a/	"
5.	Burkina Faso	"
6.	Burundi	"
7.	Chad	"
8.	Ethiopia	"
9.	Guinea	"
10.	Haiti	"
11.	Lao People’s Democratic Republic	"
12.	Lesotho	"
13.	Malawi	"
14.	Maldives	"
15.	Mali	"
16.	Nepal	"
17.	Niger	"
18.	Rwanda	"
19.	Samoa	"
20.	Somalia	"
21.	Sudan	"
22.	Uganda	"
23.	United Republic of Tanzania	"
24.	Yemen	"
25.	Bangladesh	1975

	Country	Date of inclusion on the list
26.	Central African Republic	1975
27.	Gambia	"
28.	Cape Verde	1977
29.	Comoros	"
30.	Guinea-Bissau	1981
31.	Djibouti	1982
32.	Equatorial Guinea	"
33.	Sao Tome and Principe	"
34.	Sierra Leone	"
35.	Togo	"
36.	Vanuatu	1985
37.	Tuvalu	1986
38.	Kiribati	"
39.	Mauritania	"
40.	Myanmar	1987
41.	Mozambique	1988
42.	Liberia	1990
43.	Cambodia	1991
44.	Madagascar	"
45.	Solomon Islands	"
46.	Zaire	"
47.	Zambia	"

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a/ To be removed from the list on 31 December 1994, subject to the approval of the General Assembly.