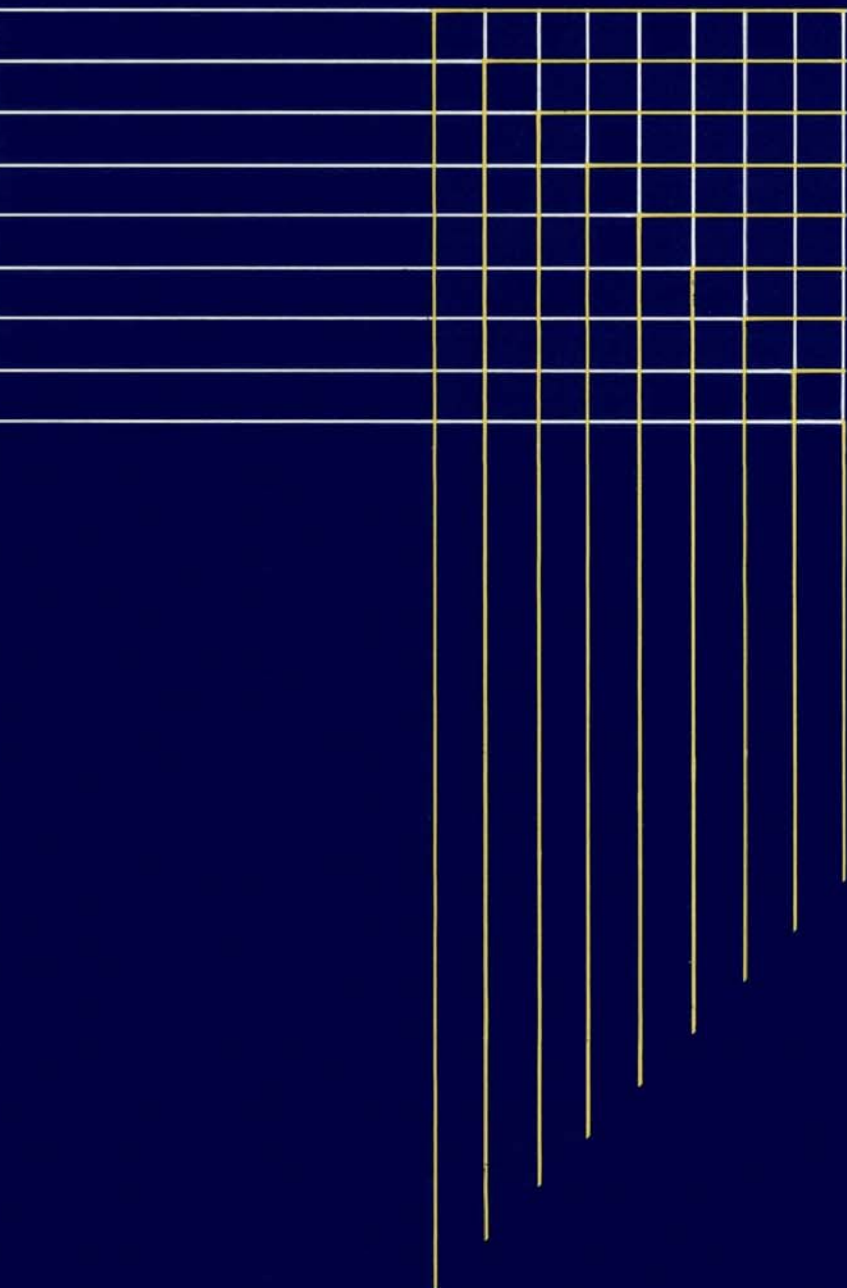


# Development at a Crossroads

Present  
problems,  
future  
prospects

W. David Hopper  
President  
International Development  
Research Centre



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Postal Address: Box 8500, Ottawa, Canada K1G 3H9  
Head Office: 60 Queen Street, Ottawa

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# Development at a Crossroads: Present Problems, Future Prospects

W. David Hopper

*President*

*International Development Research Centre*

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**The** relief of world poverty has been an official concern of nations for almost 30 years. The Point Four Program launched by President Truman in 1949 focused attention on the use of external assistance to secure peace through the economic betterment of the so-called underdeveloped nations. The model for President Truman's program was the Marshall Plan, which had been spectacularly successful in rehabilitating war-ravaged Europe.

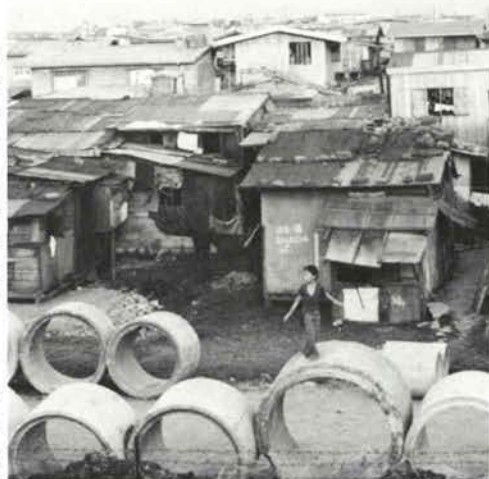
In 1949, there was confidence that similar advances could be made in other parts of the world through a transfer of capital resources. The twists and turns of international development assistance since then have been responses to the difficulties encountered in trying to foster the economic modernization of the world's underdeveloped regions.

The vision of 1949 could not encompass the rapid rate of decolonization and the explosion in the number of world countries, many of them far below the size needed for long-term economic viability. Nor did it demonstrate a realistic understanding of the magnitude of the resource transfer necessary to effect the process of economic transformation in the underdeveloped parts of the globe. What it did was focus world attention on the need to promote economic development and to recognize the responsibility of those who held an economic abundance to share their wealth and knowledge with those who had little material substance.

### History of Assistance

The first decade of development assistance concentrated mainly on the transfer of capital goods and on the building of public and industrial infrastructures. This type of assistance often required large investments of domestic resources in complementary forms before the benefits of the transfer were added to the annual income stream of the recipient nation. Often there was a long interval before the benefits of such assistance were realized; and in too many instances the promised returns were lost entirely because the complementary domestic capital was not forthcoming.

By the late fifties, the end of the first decade of development aid programs, disappointment in the slow pace of economic change, despite the flow of international resources, caused many to reassess the basis of economic progress in poor nations and the role of development aid in attaining that progress. This reassessment resulted in changes in developmental activities. Assistance to build human resources through the establishment of schools, direct help to the national budgets of recipient nations by the provision of



credits to purchase raw materials, the direct allotment of foreign currency drawing rights, and, from a few nations, shipments of food grains on concessional payment terms in local currencies were added to assistance for infrastructure and industrial capital formation.

Also by the late fifties, help in science and technology and technology transfer was given a particular boost by the work of the international agricultural programs of the Ford and Rockefeller foundations. The contribution of Japanese scientists to this work is well known. The basic research in plant physiology that identified the importance of dwarf genes in enhancing the yields of wheat and rice was done in Japan. The transfer of biological materials to nations throughout the tropics from the Rockefeller program in Mexico and from the International Rice Research Institute in the Philippines called world attention to the importance of science and science-derived technologies in accelerating agricultural development and the modernization of traditional patterns of food production.

By the late sixties, external assistance to national development programs was having a demonstrable impact on the economic progress of many nations. Close observers of the development scene were quick to point out, however, that despite two decades of effort, the absolute gap in economic product per capita between the richer and the poorer countries was widening, and that among the more advanced developing countries, the ability to earn the foreign exchange necessary to sustain their upward progress was being jeopardized by trade barriers and by price fluctuations in world raw commodity markets. The cry of "trade not aid" became a slogan with a biting edge. In one sense, it was a silly slogan; the poor countries needed both aid and trade. In another sense, however, it did call early attention to the weak bargaining position of the developing nations when they sought to negotiate reciprocal trade concessions or when they dealt with commodity buyers in international markets.

In 1968, the development problem was reviewed by a Commission chaired by the late Rt Hon Lester B. Pearson of Canada. The Commission found that development progress was significantly below expectations and potential promise; that a significant factor in the shortfall was the volume of resources transferred from the richer to the poorer countries, especially the quantity of concessional finance for development projects; and that there were artificially imposed limits on the avenues open to the developing countries to earn part of the foreign exchange required to finance their development plans. On the basis of these findings, the industrial countries, working through their own Development Assistance Committee (DAC), pledged that the official development aid from each nation would be increased to 0.7 percent of their GNP by the latter half of the seventies. They also agreed to work toward the removal of barriers to trade in the products of Third World countries.

Today, the recommendations of the Pearson Commission and the pledges arising from them still await full implementation.



## Present Problems

**As** recently as the late sixties, the economic development of most Third World nations was viewed hopefully. Although the Pearson Commission report had a theme of urgency and reflected disappointment in the seemingly meagre achievements of the past, it was basically an optimistic document calling for a new dedication to the task of banishing poverty.

But the authors of the report could not foresee the events of the early seventies. A potential for world inflation had been created by large U.S. expenditures for the Vietnam conflict and by unrealistic fixed exchange rates that undervalued the currencies of some of the world's most aggressive trading nations. This decade opened with a very large surplus of U.S. dollars in the hands of banking authorities outside the United States. All that was required to spark an upward spiral of prices fueled by this money was a major economic crisis or the fear of one. The international scramble for American grain in 1972 following a worldwide drought, and the decision by Saudi Arabia in 1973 to reverse its previous policy and to use its oil reserves as a political and economic counter in world affairs, combined to generate such a crisis; the relative world prices of two major international commodities rose to unprecedented levels. These price changes, in their turn, caused other prices to rise and necessitated major adjustments in the equilibrium of the economic system in virtually every nation. The process of bringing national economies into a new balance is still taking place and until it has run its course, the world economic structure will experience simultaneous inflation in some sectors and stagnation and instability in others. If resources, including labour, were truly mobile, the process of reestablishing an effective equilibrium would be hastened. But they are not mobile, and in nearly all countries, labour particularly has resisted the economic pressures for a reallocation of resources in an effort to preserve their real incomes. Of those nations with developed markets, Japan and West Germany seem to be undergoing the most orderly adjustment; Great Britain and Italy seem least able to cope. For a variety of reasons having to do with size, nationalistic temper, and geographic location, Canada has not been able to hold its earlier promise of economic flexibility.

If the rise in the prices of food and oil hurt the industrial economies, it devastated the developing nations. Overall trading deficits in the late sixties and early seventies between the low-income nations and the suppliers of industrial goods, food, and even raw materials were roughly \$9 billion per year — an amount covered by official assistance transfers. In 1976, these deficits



were expected to reach about \$40 billion. The imbalance was to be covered from many sources: from the IMF special fund for those nations most seriously affected by the oil price increases; from proceeds of the IMF sale of gold reserves; from nonofficial sources of private direct investment; from commercial bank borrowings; from noncommercial trade credits; as well as from official aid on both concessional and nonconcessional terms from both the industrial and OPEC nations. The result was a significant increase in Third World debt.

From 1972 to 1976, the debt of developing countries grew from about \$90 billion to \$250 billion. Commercial credit borrowings were roughly \$20 billion, or 22 percent, in 1972, and close to \$100 billion, or 40 percent, in 1976. The remainder of the debt is held by bilateral or multilateral agencies of donor governments.

Although the bulk of the commercial credit has gone to a few nations such as Brazil, Mexico, South Korea, Argentina, Taiwan, Peru, the Philippines, and Indonesia, countries not in any immediate danger of default, the long-term ability of these and other presently credit-worthy Third World countries to meet their external commercial obligations cannot be a matter of indifference to the industrial economies. If trading deficits of the present magnitude continue, and if they continue to be financed by resorting to commercial borrowing, the vulnerability of the world's capital sources will become truly a matter for deep concern. Limiting access to commercial credit in the absence of other measures to effect a transfer of purchasing power to the poorer nations will only cause world trade to stagnate further.

For the less credit-worthy nations, the need for external finance to sustain some level of economic growth and for servicing past international debts is the most pressing problem. India's external debt load is over \$14 billion, Bangladesh's \$2.5 billion, and Zaire's more than \$3.0 billion. In all three of these countries, and in most others, real growth in per capita GNP has been stagnant or has declined since 1973. Increased assistance from international sources is the only short-term solution to the economic problems of the poorest peoples.

The salient points can be simply put. The developed countries cannot for long let their commercial banking system and private capital sources bear the costs of balancing trading deficits of developing countries without major trade relations. Without substantial increases in resource transfers, the economic progress of most nonoil-producing developing nations will decline in the years ahead because they cannot continue to bear the trading deficits they have sustained for the past three years.

### **Development at a Crossroads**

The accommodations that have been made through the IMF, the DAC, the fora of the United Nations, and even through the desultory dialogue in Paris between representatives of North and South, have not attacked the central point of a growing Third World poverty. The industrial nations have been slow to respond to what should be obvious. Concessional assistance in real terms, through bilateral and multilateral channels, has grown very slowly at a time when the need has rocketed upward. As a percentage of GNP, official development aid from DAC nations is only a

little closer to the 0.7 percent target accepted six years ago than it was in 1973. In fact, for some countries the date for reaching the target is continually shifting. In the final analysis, the richer cannot escape their obligations to assist the poorer. The world is too volatile to accept with tranquility the prospect of growing wealth for one-quarter of mankind and stagnation for the remainder.

Already the demands of the poor are being given a strident voice. The slogans of the new international economic order are in reality a plea for a better economic deal, the search for an assurance that the vast majority of the world's nations and peoples will be able to realize the development goals they have set for themselves. Although an economist can correctly point to the logical inconsistencies of the economic prescriptions of the slogans, the assurance cannot be denied on the simple grounds of economic logic. In practical terms the inelastic demand for most raw commodities supplied by developing nations means that prices fluctuate more than supplies, leaving exporting nations vulnerable to unpredictable and uncontrollable changes in earnings. The burdens of past debt now require service payments that threaten to equal the aggregate of official aid transfers. The barriers, both tariff and nontariff, that each rich country has erected to limit and control the flow of imports competitive with its own industry have a greater effect on the poorer nations who cannot offer attractive counterconcessions or be equally ruthless in retaliation. Thus, there is an insistent call for a reform of the world's economic system, a call that will persist and will grow shriller and more extreme unless the industrial powers respond in a way that provides genuine hope of economic advance to even the poorest nation.

Surely it is not too much to ask that price stability be brought to world commodity markets; or that official debt burdens be eased through a general concession that would foster world economic growth; or that markets be opened to promote the wider economic efficiency of an improved division of labour; or that concessional assistance transfers be increased to assure the continued expansion of the economic strength of all nations.

To accomplish most of this, it is not necessary to proliferate the international agencies and institutions concerned with development. With some alteration and adaptation, the existing framework of world agencies can accomplish these purposes, if the purposes sought are jointly pursued by men of good will and common aim who recognize the long-term coincidence in the interests of both rich and poor, and who are willing to accommodate the short-term needs of each. At the present time, the dialogue between the wealthy and the destitute reflects more confrontation than consultation, more rhetoric and debate than a joint quest, more an ultimatum than an understanding, more a hostility than a sympathy, more a grudging concession than a partnership. Such a dialogue cannot but exacerbate the aggressive contentiousness of the poor and the haughty arrogance of the rich. The real issue of how to ease poverty is in danger of becoming lost for the meagre satisfactions of political posturing.

Development is at a crossroads. A crossroads implies an opportunity to carry forward in the direction one has come, or to change direction. I believe the industrial countries do have that opportunity, but the Third World does not. I hope we in the advanced nations will not stubbornly and blindly try to preserve an older course that now threatens to force those who have little to



fall further behind with no hope of catching up. I hope that we will change course and through our concerted action ensure that the task begun 30 years ago will not be unfinished because it demanded too much of us — even if more than 0.7 percent of our GNP.

Whereas the question of augmenting the total resources available for development of the poorer nations is the most fundamental of the issues between the Third World and the industrialized countries, the search for ways to alleviate poverty is carried on at three levels. I have dwelt upon the first, that is, the total of external real resources available for developmental purposes. The second level centres on the quantum of resources that can be mobilized internally by each nation to finance its own development investments. The third level focuses on the investment activity itself, that is, the microproblems of project selection, formulation, and implementation.

### **Mobilization of Resources**

It is often suggested that developing countries themselves are not aggressive enough in mobilizing their own internal resources to finance their development plans. In support of this, the failure to act wisely by one or another country is used to illustrate the generalization. But, the generalization does not hold in the aggregate. I know of no reliable estimate of how much low-income nations spend from their own resources to finance their developmental budgets. However, if we assume that the 75 countries listed by the World Bank as having per capita incomes of less than \$500 are able to allocate as much as 15 percent of their gross national product for this purpose — a high figure for poor nations where the marginal propensity of most of their population to consume is probably above 0.95 — the total available would be less than \$80 billion, a billion dollars per country per year. For almost two-thirds of mankind, then, there is virtually no capacity to generate an investment surplus commensurate with the economic needs and potentials of their nations. Perhaps it would be possible through appropriate incentives to push the savings rates in many countries to levels above the 15 percent cited. But even if the figures were doubled, the amount available would still be minuscule for the tasks of national modernization. There are, however, several instances where low-income nations appear to have succeeded in expanding their capital base despite their poverty. China has demonstrated that by the disciplined mobilization of a vast manpower it is possible to create an immense base of infrastructural capital. Large countries with large populations such as India, Pakistan, and Indonesia might be able to effect a similar transformation under suitable forms of social organization. It is unlikely, however, that this route is open to countries with small populations.

At a more fundamental level of analysis, the process of economic modernization involves the transformation of the technological base of agrarian societies to one of applied science. Production derived from traditional folk wisdom and the use of muscle energy cannot be much larger than \$200 per capita per year, not enough to yield the sizable surplus required to finance a rapid technological transformation. In this case, the operative word is "rapid." If Third World nations were prepared to stretch their development over many generations, the low savings rates they can sustain might permit the slow accumulation of the needed capital base. But the urgent aspirations of Third World peoples and the short-run inexorable pressure of

population increase leaves little time for the usual processes of capital accumulation to be effective. These are the facts that justify external development assistance. They are also the justification for examining more closely the philosophy of development held by most low-income nations, with China, Tanzania, Taiwan, South Korea, and more recently, Brazil, being notable exceptions.

Enshrined in developmental theory and practice is a view that divides underdeveloped economies into "traditional" and "modern" sectors. The traditional is the agrarian and rural sector from which are expected to flow food, labour, and an investable surplus of resources to build the modern industrial and urban economy. Until industry can sustain from its own proceeds its requirements for capital growth, the rural sector must be exploited for its extractable surpluses. It is a corollary of this view that the rural sector should not expect to exercise a primary claim on the investable resources of the nation, for that would place it in competition with the priority growth of its modern counterpart. Likewise, an improvement in the living standards of rural peoples is made secondary to the well-being of the urban-industrial proletariat.

The exploitation of the rural economy is accomplished in many ways. Governmental export-commodity marketing boards buy from local farmers at levels far below the world prices the boards receive from international sales; or export taxes are used to hold the return to the farmer low and treasury profits high; international food aid is sold directly to consumers and has the effect of depressing internal agricultural prices; government monopsony food markets hold farm product prices down and indirectly tax farmers to subsidize urban consumers; even taxes and tariffs on farm supplies are used to divert the flows of real income from farmers to other economic classes.

Unfortunately, the exploitation of the rural economy is the basis for most development practice in Third World nations. Two results are evident: food shortages have been and are acute in most developing countries; and the rural poor have provided little investable surplus for building modern economies. It is clear from the record of the past three decades that the neglect of agricultural modernization and rural development has left a major high-income resource in most poor nations underdeveloped. The continued low level of productivity of the rural sectors, not surprisingly, has meant the continued exploitation of poverty as the internal basis for financing modernization. Taxing the poor by the poor is not a very satisfactory way of becoming rich.

It seems clear that the neglect of rural development and agricultural productivity in low-income nations has contributed significantly to the slow pace of economic advance. Not only has the need to import food drained foreign exchange reserves and curtailed capital formation, but in many countries, low farm incomes have depressed domestic nonfarm economic activity. When the largest single group of national consumers does not have the purchasing power to demand urban sector goods, it is not surprising that total advance is slow.

Indeed, if developing countries are to be criticized on their failure to mobilize local resources for development, the case can be best made on the basis of their neglect to encourage rural development and agricultural modernization, a modernization that can secure an assured source of food

while providing the majority of their peoples with the income needed to establish a domestic industrial market.

### **The Responsibility of Developed Nations**

To an extent that I find discomfiting, the industrial nations must share a large portion of the blame for this neglect of rural development. For a variety of reasons — perhaps because we ourselves were confused about the true underlying developmental process, or the self-interest pursuit of plant and equipment sales, or restrictions on the free use of aid monies, or politically motivated loans and grants — we did not press rural development as a part of our assistance offerings until very recently, in most cases not until after the food crisis of 1972. We should have done so much earlier. A careful study of our own development experience would have provided the guidelines for such an insistence. In the future, we had best not forget the lessons of the past.

It is fashionable in some circles to talk glibly of world poverty as a function of the inequitable international distribution of the present world economic product, and of the political and economic power inherent in this distribution. I find in this talk more poetry than hard analysis. Poverty cannot be overcome by its redistribution. In the sense of a Pareto optimal on an international scale, that is, a policy that would make some people better off without reducing the levels of well-being attained by others, we are still far short of having developed the underdeveloped parts of the world. Indeed, the key to development is the expansion of goods and services, the enhancement of productivity in Third World nations. Any other prescription is a cruel hoax.

This is not to suggest that the distribution of income in any nation is not politically of equal importance to its generation. How the goods and services produced in a country are distributed, and to whom, is a question for national policy; the outsider risks his welcome if he comments. One of the most intractable problems of development research is to define clearly the interaction between the distribution of the claims on the national income stream, and the generation of growth in that stream. I have suggested in the case of agriculture, that the diversion of reward for economic effort from farmers to city dwellers has lowered productivity and the rate of innovation and modernization among cultivators. Similar disincentives to higher productivity can arise from a number of public interventions in the operation of the mechanisms of free economic allocation. Developing countries can yield their own examples of high-productivity opportunities forgone because the benefits of enterprise could not be captured by those best able to exercise entrepreneurship. But however painful these examples may be (and they can be matched or topped by stories from the developed nations), the examples and consequences of distributive injustice are often more poignant.

It is easy to understand how the explicit realities of injustice can overwhelm the intangible shadows of possible income foregone when policies for economic advance are drawn. Unfortunately, the vise of poverty in the developing world gives little opportunity to bring effective redress to distributive inequities; such redress will be possible only with the encouragement of enterprise in a policy setting that carefully balances improvements in distribution with measures to accelerate the growth of output. As external aid agencies and developing-country governments have

become more sensitive to the interlinked questions of distribution and production, attention has shifted from project activities focused on one or the other of these goals to those that strive to combine the two. Projects to improve the productivity of small farmers, or to increase employment among the urban poor, or to improve the productivity of a work force by the control of endemic diseases are instances among many that might be cited of attempts to combine a wider distribution of the benefits of development with the development activity itself.

The hard reality of engineering development is encountered most forcefully in the process of identifying, preparing, and implementing projects that will leave a legacy of benefits in the form of added goods and services. The essence of development, and the ultimate test for development projects, must rest upon the appropriately discounted internal rates of return to the investments made — a rather cold calculation, but if it is ignored, the expenditure of scarce resources will have little long-term capacity to inhibit poverty.

Every international assistance agency has its tragic-comic stories of project foolishness and waste. Often the causes can be traced to honest errors of judgment, or to faulty technical assessments of feasibility, or an overestimation of the performance capabilities of one or more of the partners, or, and this must be of greater concern, to project purposes that were not related to the expansion of national output in the recipient nation. Projects that have social or political goals are perfectly valid as agreed undertakings between donor and recipient governments. But let us be honest, at least among ourselves: these fall well outside the processes we seek to initiate and support when we claim to be engaged in activities designed to achieve the sustained improvement of the well-being of the world's poor peoples.

### **A Working Example**

Of all the world's aid agencies, only the World Bank can point to a record of project development that has held most closely to the principles of investment for long-term economic returns. Although no Bank staff member would deny that they have their share of tragic-comic projects, Bank activities, at least in recent years, are a tribute to the successful pursuit of productive investments that are contributing in major measure to the permanent capacity of many countries to provide a better life for their citizens.

Unfortunately, in the present environment of uncertainty over development directions, the concept of economic viability as the basis for project development is under attack. Because the World Bank has established the standards of project analysis that others strive to emulate, the attack has focused primarily on Bank activities. On the one hand, the Bank is charged with overcommitting its resources to too many projects and thereby running the danger of lowering its standards; on the other hand, the Bank is accused of being too dictatorial, too insistent on its standards, too bureaucratic in its demands for the evidence of the economic viability of the purposes of its lending. I will deal with each charge in turn, for although I differ with the stated content of each position, each contains an aspect that points to the dilemma facing every international assistance agency.

Quantity versus quality has long been a false contest in the use of development aid. Obviously, any agency, whether bilateral or multilateral, strives to increase both the amount of resources it transfers and the effectiveness of these resources when transferred. But every agency can be charged with courting the danger of substituting quantity for quality, and, by implication, "better quality" transfers are seen as a substitute for lower aid allocations. I have said that the quality of development assistance must be measured in terms of the returns to project investments. The belief that quality and quantity are substitutable rests on the contention that opportunities for high returns on relatively small investments abound in underdeveloped nations. Pursue these opportunities, and the impact on world productivity will be as great, if not greater, than a larger quantity of resources transferred to relatively low-return endeavours. Although there can be no dispute with the mathematics of this argument, reality contradicts its premises.

The indigenous entrepreneurs in developing nations are as aware as any international banker of the concept of return on investment. Through their own enterprise they have already driven returns from activities requiring relatively small investments to levels roughly equaling the cost of the money. Capital scarcity in the developing world is the unavailability of the large investment funds necessary to underwrite major enterprises that will unlock the high returns implicit in economic underdevelopment. If the high return payoff potential of Third World nations is to be attained, the need is for larger projects, not smaller or fewer.

The examples abound. The hydroelectric potential of Nepal, perhaps the greatest in the world, can only be tapped by expenditures of multibillions of dollars. A \$2-, or \$4-, or even \$10-million project in Nepal will have a small real return compared to a phased program to harness the waterpower of its great glacial-fed, mountainous rivers. The agricultural potential of the over 80 million hectares of the southern Sudan is well documented. Development costs to exploit it will be in the tens of billions of dollars. The return for this expenditure could well be a doubling of present world food output.

The major difficulty for those who work on development projects is attaining the means to assemble enough investment assistance to make a truly significant impact on world poverty. If there is validity to a concern that the World Bank or other aid agencies are involved in too many projects, the concern should focus not on an overcommitment of resources but on the inability of these organizations to commit more to those activities that will provide a high yield. The total commitments of the World Bank in fiscal 1975-76 (ending 30 June 1976) were just \$6.9 billion, hardly a sum commensurate with its role as the world's foremost development banker, and certainly not in keeping with the immense investment opportunities and the needs of the Third World.

The charge that identifying and preparing development projects is an exercise in excessive, and too often dictatorial bureaucracy, is not easily answered. The examples of tragic-comic project foolishness and waste are most frequently the result of inadequate planning and administrative attention by both donor and recipient. If assistance projects are confined to dams, or roads, or fertilizer plants, or turnkey industries, the burden of project work is relatively light. But to be frank, the record of long-term returns to such projects is not a bright one. The tropical world is studded with irrigation dams

that are unproductive because the project for their construction did not include building the channels necessary to bring water from the reservoirs to the farm fields; with factories that operate far below capacity because supplies of raw materials were not assured in the project design; with roads that crumble and break because the means of maintenance was not part of the project finance. The examples are many, and together they make a depressing litany of hope unfilled.

The corrective is to prepare and implement comprehensive projects, usually of larger scale, that strive to include all of the elements necessary to ensure the realization of all available benefits. To build such projects, however, requires lengthy procedures and long periods of preparation time; and to implement them the assistance agency must insist that the recipient agree to and meet certain obligations as a condition of the partnership.

If the large-scale, comprehensive project of the type now financed by a few donor agencies, including the World Bank, is to be faulted on the care it takes for preparation, I think the fault is not where the critics see it. It lies more in two other directions. First, a comprehensive project is usually shaped to be complete in itself, that is, it is seldom conceived as an element that should integrate in time and space with previous and succeeding project activities. Second, projects prepared as complete packages allow little room for either the chop and change, or the drastic alteration that may be dictated by emerging circumstances.

### **What is Required?**

To tap the potentials for high economic returns from the large investment opportunities in the Third World will require the assembly of phased projects, each complete in itself and each an element or part of a larger system comprising an inclusive whole. Only through this approach to project planning can external assistance, however much it grows, have its full impact on world poverty. At present, few agencies engaged in international aid have the capacity to provide the leadership to undertake the large-scale planning tasks involved in this kind of development endeavour. The World Bank provided this service when it took the lead in the Indus Basin development program in India and Pakistan. The recent initiative by the DAC in the founding of the "Club des Amis du Sahel" to provide for comprehensive planning and development of the semi-arid sub-Saharan countries of Africa is an interesting innovation that bears close watching. The lessons learned from this DAC experience may open a new organizational basis for undertaking major development activities. Indeed, it seems likely that such activities can only be organized effectively by multilateral institutions possessing the flexibility to focus on the development of extensive geographic areas likely spanning several political boundaries.

Building flexibility into projects prepared in holistic detail is not easy. Yet many projects fail to yield their promised benefits because they cannot respond readily to unforeseen circumstances or because they are built upon premises that later prove incorrect. Recasting imperfectly designed projects of a comprehensive nature during the course of their implementation is a costly task, yet not recasting them is often a sure prescription for failure. The quick-fix solutions most frequently applied in the urgency of field conditions



are seldom satisfactory in the long term. There is no easy way to prepare projects that are simultaneously more comprehensive in scope and detail, and more flexible in implementation. But if donor and recipient nations are to gain the full potential benefits from resources spent for development, a way must be found.

An assessment of some recent projects suggests that it is possible to build projects in which the ultimate purposes are clearly specified, but in which many of the details of implementation are allowed to unfold as work proceeds. Such projects are analogous to the development of a long-term national economic plan that is recast from year to year in accordance with experience and the play of external variables. Such a method of project development requires more preparation work and a larger field staff during implementation. Project personnel should be experimental and utilize the experience and understanding they gain during execution. Such projects demand continuous monitoring and an ongoing evaluation and feedback. Above all, the project staff must receive strong, patient moral support from both donor and recipient. Their financing could probably be handled best as a line of credit to be drawn as the project evolves.

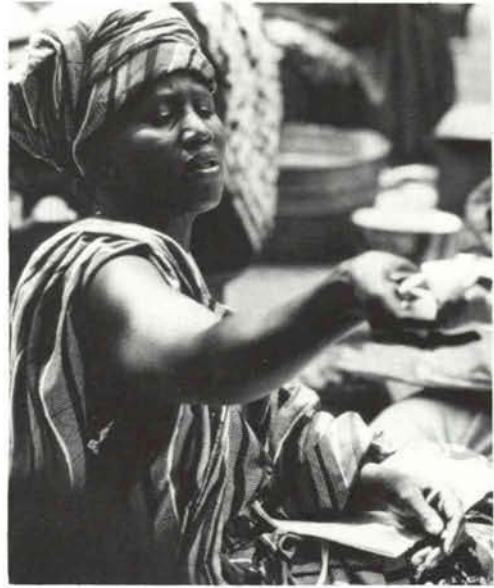
As I review what I have said, I find I have touched on only a few of the present problems. I have said nothing about the continuing disequilibrating effects of rapid population growth, or about the problems of energy, or of environmental protection, or of the choices of developmental lifestyles, or of technology transfer, or of social and political structures and their reform, or of relations with multinational corporations — the list is long, and my talent inadequate to the task. What I have mentioned are a few of the central issues surrounding the goal of reduced world poverty.

## Future Prospects

I do not believe the richer nations will continue to dither and meet with half measures the present plight of the poorer countries. This belief rests most heavily on the charitable instincts of the ordinary citizens of the rich nations. But it receives support also from the knowledge that self-interest dictates steps to prevent a significant Third World default to the institutions of international credit, and greater efforts to balance the trading deficits of the poor countries to stimulate world trade.

Although my outlook is optimistic, I do not think that overcoming the huge international deficits of Third World nations will be easy. However, there is already evidence in the advanced countries of a willingness to consider more carefully the cries of the poor for a better international economic deal. Commodity price stabilization through financial and stock buffers seems a likely development within the next few years. Relief of debt and the more onerous burdens of debt servicing for low-income nations is probably close at hand. Although I do not see international assistance budgets rising spectacularly in the near future, I think there will be a slow but perceptible increase in concessionary funds and a move from loan aid toward more grant assistance. (The latter will be especially important if donor nations are to prevent a repeat buildup of official debt in the Third World.) Likewise, access to technology will be made easier for the developing economies; and codes of conduct, enforceable in the home country, will come to govern the presently unregulated activities of the transnational corporations in their dealings with both developed and developing states. Private cartels, international price discrimination, and market area allocation to subsidiary plants of single large corporations will likely be outlawed. In short, in the next decade there will be an increasing number of actions taken by the rich to formalize the rules governing the operating interdependence of their economies with each other and with the Third World nations. In the long run, advanced countries are likely to consider more carefully than they do now the impact of domestic protectionist policies on Third World economic progress. The richer nations may even go so far as to undertake in the name of foreign assistance major intramural allocations to ease the impact on domestic workers of concessions granted to Third World trading partners.

These several measures and concessions will only partially meet the needs of the poorer states. If they are major and vigorously implemented, they will add to the effective transfer of real resources and may reduce the necessity for a rapid expansion of direct financial assistance. Although such a result



would be wished, it is unlikely that transfers through the several routes opened by the "trade-not-aid" slogan will be adequate to the task of developing the underdeveloped. If poverty is to be reduced measurably within the next half century, the burden of its elimination rests heaviest upon the quantity and use of direct transfers of real resources through programs of international assistance and cooperation.

Much of this assistance will be channeled to the support of developmental projects, the source of structural change and economic progress. Agriculture and rural development will receive greater emphasis in the mix of future project activities as both rich and poor strive to assure the world's growing population secure food supplies, and provide the recipient nations with a growing demand for the products of their fledgling industrial-urban sectors.

As projects, whether to aid primary, secondary, or service industries, come to be seen as the cutting edge for long-term economic growth, more care will be taken in their preparation and implementation. Efforts will be made to secure a better coordination of project activities among donor agencies; greater attention will be paid to the return received for the expenditures of resources and for the distribution of these returns among the social and economic classes of the recipient nations. The patterns of donor action that were embraced in the Mekong and Indus River development programs and in the present programs in the Sahel will become more common as the world community of nations accepts the challenges offered by the large investment opportunities necessary to develop the underdeveloped areas of the globe.

I will close with one example. World food production today sits on the knife-edge of instability. North American farming can meet reasonable food deficits in the short-term future, but a repeat of the droughts of 1972, or even the Asian crop failures of 1965-67, would severely strain global food supplies. In the long run, not even North America will be able to keep abreast of food demand swelled by population growth and the capability of rising worldwide affluence will give to consumers to fulfill their desire for better diets. The tropical belt of the world holds the potential to produce a vast abundance of food. To unlock this potential will require developmental projects and sums of money that dwarf any previous experience with international aid.

Let me touch on this potential. The plains of northern India, and of Nepal and Bangladesh comprise over 55 million hectares, all of which could be fully irrigated. With present multiple cropping technologies, annual yields of 15 tons of food grain per hectare would be commonplace — an aggregate output level that would increase present world grain production by 70 percent. As unlikely a region as the Sahel has the potential water and soil resources to yield food-grain quantities equal to what is now grown in Canada. The 80 million hectares of the southern Sudan likely have food potential that could more than double present global outturn. In fact, examples of a high food potential can be drawn from almost any area of the tropical world.

The potential is large; so are the costs of realizing it. As a conservative estimate, a farm modernization program on the north Indian plains would require between \$30 and \$50 billion. If we place the costs against the GNP of the three countries involved, for example, India at about \$80 billion, Bangladesh at \$8 billion, and Nepal at \$1 billion, \$90 billion in all, it is easy to understand why the leaders of the three subcontinent nations view the northern river plains development as a future dream. It would be a courageous act,

probably labeled as foolhardy in the sober financial circles of the world, for subcontinent statesmen to announce the launching of an investment plan greater in magnitude than one-half of the present total gross national product.

Dream or not, the potential is there. It is only a question of how long the world can afford to let it lie unrealized for want of little more than one-tenth of the resources spent annually on armies and armaments. At some point, reason must prevail; the agriculture of the Indian subcontinent and of all the tropical world must be transformed by the coordinated efforts of all nations. The survival of those born and yet unborn will demand it within the next 20 years. I am greatly optimistic that the demand and the potential will be combined in a way that meets the one by realizing the other.

I believe the joint actions of rich and poor can and will be focused on harmonizing economic possibilities with need. To do this successfully will demand of the donor more resources, and a greater and wiser assertiveness in how they are used; it will require from the recipient a willingness to pursue high growth in an environment of social and political equity. Both donor and recipient must learn to bear the judgments of performance each will make of the other, and to respond sympathetically to such judgments. The bond between the economically advanced countries and those of the Third World can be built and solidified only by a symmetry of concern for humanity, of shared obligations, and of effective performance. When global consultations and actions reflect a reciprocity of responsibilities incumbent on the wealthy and on the poor alike, man can be confident that the vast opportunities held by his planet will finally be opened for his sustenance.

## Conclusions

**The** Oriental curse “may you live in interesting times” has been placed upon us all. But the curse carries opportunity. World gross product is estimated at about \$5.6 trillion, over 80 percent of it generated in the nations with large per capita incomes. Persisting world poverty is neither for want of global economic and technical power to engineer development, nor for want of potential and need; it is only for want of determined political will and action. The world this generation passes to the next can be one where the cries of the poor will continue unheeded, or it can be one where the unity of mankind is expressed through political agreement to launch a grand assault on the afflictions of the poor. The crossroads can be ignored only at the peril of all; a new route, a new consultation, a new sympathy, a new will, and a new action can secure the well-being of all mankind.

