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The World Bank, August 1979

**Part I. Development Prospects and  
International Policy Issues**

**Prospects for Development  
International Policy Issues**

**Part II. Structural Change and  
Development Policy**

**Employment Trends and Issues  
Industrialization**

**Urbanization: Patterns and Policies**

**Part III. Country Development  
Experience and Issues**

**Growth and Equity in  
Semi-industrialized Nations**

**Development in Primary  
Producing Countries**

**Conclusions**

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**Annex: World Development Indicators**



**World  
Development  
Report  
1979**

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## Foreword

The *World Development Report, 1979*, along with its statistical annex, is the second in a series of annual reports designed to provide a comprehensive, continuing assessment of global development issues. This year's report emphasizes issues of employment, industrialization and urbanization in developing countries and discusses the policies necessary to pursue the twin objectives of growth and poverty alleviation. Over the next two decades, these countries will face unprecedented challenges: they will need to create productive employment for a work force that is likely to expand by more than 500 million people between 1975 and 2000; over the same period their cities will need to provide jobs, housing, transportation, water, sanitation and health care for almost one billion additional inhabitants; and a growing number of developing countries face the need for new policy initiatives to shape the process of industrialization. At the same time, however, the range of policy choices available to developing countries is becoming narrower, partly as a result of the past orientation of their development strategies, but partly because of the uncertain and less expansionary climate in the international environment.

The quarter of a century between 1950 and 1975 witnessed substantial progress in developing countries. Such advances were greatly helped by rapid economic growth in industrialized nations and the progressive relaxation of barriers to international trade and capital flows. The slower rates of growth of industrialized economies since the mid-1970s, and the associated increase in protectionist tendencies, have had adverse effects on the growth of

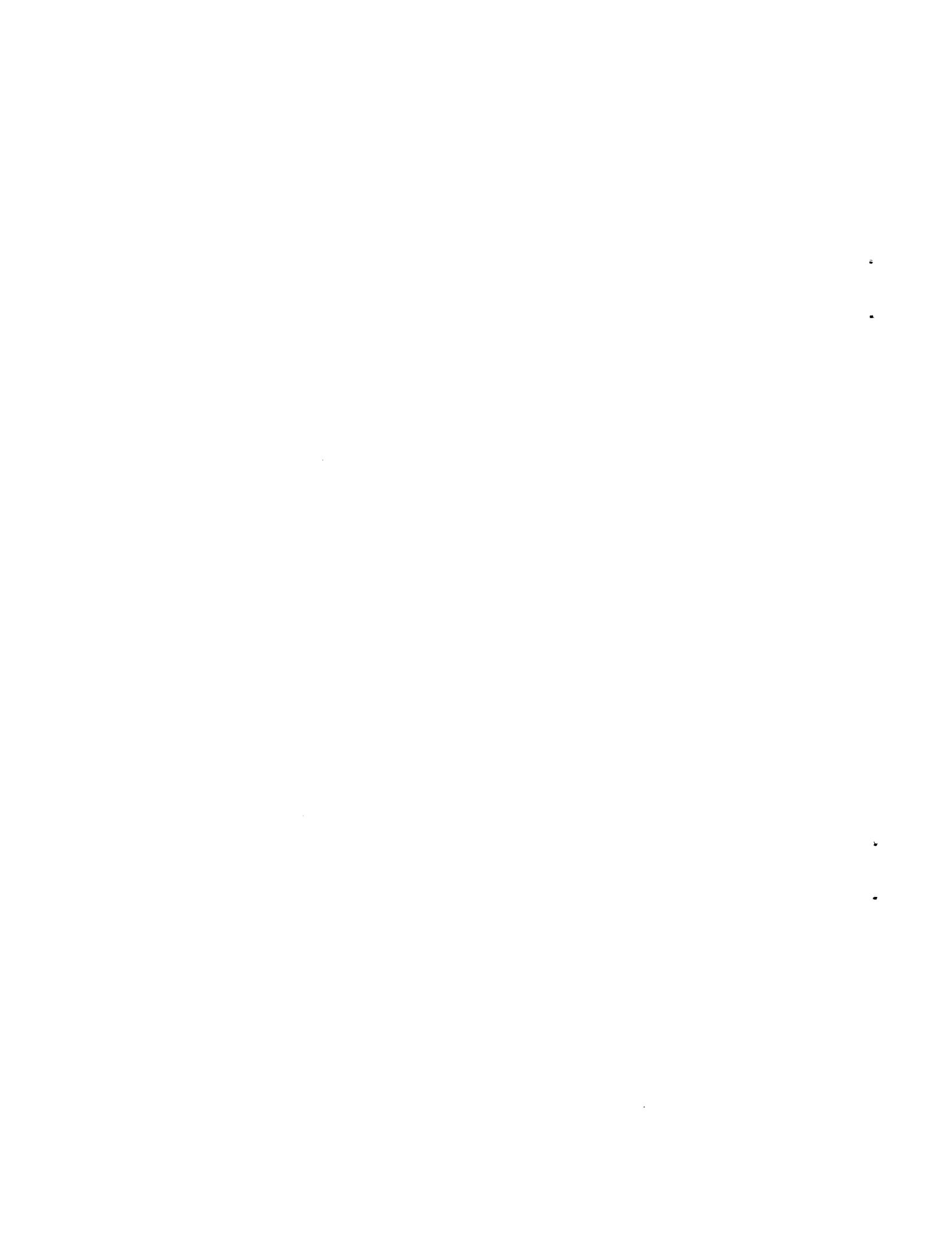
developing countries and have given rise to troublesome questions and uncertainties about the future.

The success of developing countries will very largely depend on their domestic programs and policies. But their task can be greatly aided by improved access to markets in the industrialized nations and by more generous flows of concessional assistance from these countries. The uncertainties in the world economy could be much reduced, and the dynamism of world production and trade restored, if countries were to act in recognition of their growing economic interdependence. Over the long term, a more liberal environment for international trade and capital flows would bring benefits to all groups of nations. Industrialized countries stand to gain from buoyant economic conditions in developing countries, which are important markets for their exports; increasing trade barriers and reducing foreign aid in response to short-term pressures may appease sectional grievances, but only at the expense of greater, long-term gains.

This volume reflects the work of many of my colleagues in the World Bank. The judgments expressed do not necessarily reflect the views of our Board of Directors or the governments they represent. The report has been produced under the direction of Attila Karaosmanoglu; Shankar Acharya is the principal author.



Robert S. McNamara



# WORLD DEVELOPMENT REPORT, 1979

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## Definitions

Country Groups in the analytical framework of this report are as follows:

*Developing Countries*<sup>1</sup> are divided, on the basis of 1977 gross national product (GNP) per capita into:

*Low Income Countries*—with per capita income of US\$300 and below;

*Middle Income Countries*—with per capita income above US\$300.

*Capital Surplus Oil Exporters*: Kuwait, Libya, Oman, Qatar, Saudi Arabia and United Arab Emirates are identified as a separate group from other developing countries since, at least for the near future, their economic characteristics are significantly different. Other major exporters of oil are grouped among the developing countries.

*Industrialized Countries* are the members of the Organisation for Economic Co-operation and Development, apart from Greece, Portugal, Spain and Turkey, which are included among the Middle Income Developing Countries.

*Centrally Planned Economies* (CPEs) are Albania, Bulgaria, the People's Republic of China, Cuba, Czechoslovakia, the German Democratic Republic, Hungary, the Democratic Republic of Korea, Mongolia, Poland, Romania and the USSR.

*Organisation for Economic Co-operation and Development* (OECD) members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

<sup>1</sup>The division is slightly different for the projections, where, in order to retain comparability with those made for *World Development Report, 1978*, the earlier country groupings used in that report have been maintained. The difference involves less than 1 percent of the total GNP of all developing countries.

The *Development Assistance Committee* (DAC) of OECD comprises Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Community.

The *Organization of Petroleum Exporting Countries* (OPEC) comprises Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela.

*Manufactured goods* refers to commodities in the Standard International Trade Classification (Revised) (SITC), Sections 5 through 9 minus Division 68: chemicals and related products, including manufactured fertilizers and plastic materials; manufactured articles, including textiles and products based on leather, rubber and wood; iron and steel; products based on metals and non-metallic minerals; machinery and transport equipment; building fixtures and fittings; furniture, clothing, footwear, professional and scientific instruments, photographic and optical goods, watches and clocks, and miscellaneous articles not classified elsewhere in the SITC.

*Primary commodities* comprise SITC Sections 0 through 4: food and live animals; beverages and tobacco; inedible crude materials; fuels, including coal, petroleum and petroleum products, natural and manufactured gas, and electric current; animal and vegetable oils, fats and waxes; and the non-ferrous metals of SITC Division 68.

*Billion* is 1,000 million.

*Growth Rates* are in real terms unless otherwise stated.

*Symbols* used in the text tables are as follows:

- .. Not available.
- (.) Less than half the unit shown.
- n.a. Not applicable.