

Need As A Criterion For Allocating Development Assistance

Introduction and Summary

This paper discusses need for development assistance as one criterion for allocating U.S. assistance. The discussion is divided into seven sections. The first section discusses the basis for considering need as an important allocation criterion. First, Congressional and Presidential directives have explicitly cited need. Secondly, a need criterion follows logically from a fundamental concern with alleviation of global poverty over the next several decades, a concern that arguably motivates our foreign assistance efforts. The next section discusses the meaning of need in a basic human needs context, and explores some general measurement problems, particularly that of measuring the extent of poverty. The third section derives a single indicator of country need for outside assistance that appears most appropriate on conceptual grounds; does not depend on estimates of income distribution, the extent of poverty, etc; is reasonably measurable; and which facilitates relatively straightforward comparisons across countries. This indicator is the ratio of per capita income to the poverty line, defined as the per person cost of a standard of living that meets basic needs. The fourth section discusses five different possibilities for attaining estimates or approximations of this indicator: direct estimates of the poverty line by missions; use of IBRD estimates; use of work by Kravis and associates on purchasing power; use of regional poverty lines established by the ILO; and use of per capita income alone. The fifth section notes that our concern is not simply with the need for outside assistance, but rather the need for U.S.

assistance in view of both domestic (LDC) resource availability and assistance from other donors. This section recommends use of relatively up-to-date data on ODA commitments available from the DAC, and presents data that indicate that a ranking of countries by need based on per capita income alone would be substantially altered if other donor assistance were taken into account. The sixth section considers other indicators of need. It argues that population should logically be considered a scaling factor, and that the assistance response to need and other criteria ought properly to be gauged on a per capita basis. This section also discusses consideration of future prospects and balance of payments factors as need criteria. The conclusions are that long-term growth rates can be useful as indicators of future resource availability; and that balance of payments indicators are generally too unstable and too ambiguous to serve as useful allocation criteria for cross-country comparisons for planning purposes. At the same time, there are a few countries (Ecuador, Indonesia, Nigeria) where balance of payments factors (oil exports) appear stable enough to incorporate in judgements of medium-term need. The final section briefly discusses other development objectives pertaining to sectors such as food, energy, and health and population. The conclusion is that these objectives can entail different, possibly conflicting indicators of need, and can lead to different allocation patterns among countries and among sectors than would be obtained under general BHN objectives.

I. What is the basis for considering need as an allocation criterion?

a. Explicit directives concerning allocation criteria.

The Foreign Assistance Act of 1961, as amended through 1978 when the IPA procedure was developed, states that:

"Development Assistance furnished under this chapter shall be increasingly concentrated in countries which will make the most effective use of such assistance to help the poor toward a better life (especially such countries which are suffering from the worst and most widespread poverty, and are in greatest need of outside assistance)."

Subsequent versions of the legislation have omitted the reference to "worst and most widespread poverty," and have spoken simply of "greatest need for outside assistance."

Secondly, the President's November 1977 decision memorandum on U.S. Foreign Assistance Strategy approved the strategy option that "would provide concessional assistance (both bilateral development assistance and PL-480) to meet the basic needs of poor people, primarily in low-income countries which would continue to receive top priority, but also in middle-income countries if enough aid were available. The dominant factor in allocating aid among countries would be where it would do the most good to help poor people."

b. Fundamental Objectives of Development Assistance

Both the Congress and the President have stated that the fundamental objective of development assistance is to promote increased satisfaction of basic needs. These statements are typically motivated by considerations of the problem of global poverty and the importance of achieving substantial reductions in world poverty during the next several decades.^{1/}

^{1/} For purposes of this analysis the poor are those who cannot meet their basic needs, and poverty alleviation is synonymous with increased satisfaction of basic needs.

The phenomenon of global poverty is at present heavily concentrated in low-income countries. A variety of estimates indicate that over 90 percent of the developing world's poor are in IDA-eligible countries (excluding consideration of China). Over 80 percent are in countries at or below 1977 PCI of \$300, about one-half of the IDA-eligibility criterion in 1977 prices (\$580).^{1/} Furthermore, scenarios of development performance over the next ten to twenty years point to fairly rapid growth for the group of countries above the \$300 PCI benchmark, but only slow growth for low-income countries, including virtual stagnation for sub-Saharan Africa. This implies an increasing concentration of world poverty in the low-income group and very limited progress in reducing the absolute number of poor.

This suggests that need is an appropriate and important allocation criterion, given a major concern with the problem of global poverty over the next several decades, because that problem is heavily and increasingly concentrated in countries commonly perceived as needy.

The qualifiers in the preceding sentence are crucial to the argument that need is an important allocation criterion. If our major concern in providing assistance is with security, trade promotion, global energy supplies, etc., then need is not a relevant criterion. Similarly, if our perspective is more parochial than global (i.e., a concern with Caribbean poverty or Southern African poverty rather than South Asian poverty) then need is not a key criterion in allocating among the current list of recipients. Finally, if our perspective is short-term rather than long-term (i.e., make the biggest possible impact on global poverty over the next three years) then need is not important.^{2/}

^{1/} The estimates include the World Development Report 1978, work by Chenery, Carter and Ahluwalia; and estimates reported by the DAC.

^{2/} This suggests that our view of effectiveness should similarly be influenced by whether our perspective is global and long-term.

II. In a basic needs context, what do we mean by "need"?

In general, need for outside assistance depends on the extent of the "problem" to be addressed and domestic resources available to direct towards the problem. For instance, the need for food assistance can be gauged as the difference between consumption requirements and supply capacity, through domestic production of food and perhaps trade. For outside assistance to be "needed", there is an assumption that it can be used with positive effects. Applying this in a basic needs context, need would depend on the extent of the basic needs problem on the one hand, and domestic resources available to address this problem on the other. The problem of meeting basic needs is one of achieving a minimal standard of living that includes adequate food, shelter, clothing and water, as well as required health and education services. At first glance it would appear that the extent of the basic needs problem is properly indicated by the amount of poverty. In principle this could be measured in monetary terms by stipulating the per person cost of a standard of living that meets basic needs,^{1/} and then measuring the shortfalls in standards of living of the poor. This latter measurement is of course very difficult. In actuality, estimates of the extent of poverty usually focus on calculating the number of people whose incomes fall below a stipulated poverty line.^{2/} These estimates are subject to considerable error, since they depend on estimates of the distribution of earned income, which is quite difficult to measure and which does not take into account the redistributive impact of taxes, transfers, and public expenditures.

^{1/} For an example, see A.R. Khan's "Basic Needs: An Illustrative Exercise in Identification With Reference to Bangladesh," ILO, 1977.

^{2/} See Chenery, Carter and Ahluwalia "Growth and Poverty in Developing Countries," IBRD Discussion Paper #309 (revised) May 1979.

The other side of the need calculation is domestic resource availability. Conceptually one might think of domestic resource availability as a stock, i.e., the wealth of a nation including natural resources and climate, physical capital, human capital and administrative and institutional infrastructure, etc. However, estimates of national wealth are rare, and reliable estimates are virtually non-existent. Alternatively, domestic resource availability can be considered in terms of the goods and services produced by a nation's wealth. This is measured by gross national product.^{1/} This is a particularly useful concept of domestic resource availability if we view the basic needs problem as a matter of living standards, i.e. minimum consumption levels of essential goods (food, clothing, etc) and services (health, education, etc.) Then the total value of goods and services produced (GNP) can be compared with the volume of goods and services required to meet basic needs. The next section considers how this comparison might be made.

III. Conceptually, what is the best indicator of need in a BHN context?

The preceding discussion focused on need in terms of a comparison of the poverty problem with domestic resources available to address poverty. A practical difficulty is that the best available estimates of the extent of poverty are those which seek to measure the percentage of the population with earned income below a poverty line. From both a conceptual and empirical standpoint these estimates, while helpful, are of limited validity. On the other hand, gross national product is a good indicator of domestic resource availability on conceptual grounds and is relatively good on empirical grounds. This section considers how domestic resource availability should

^{1/} There are well-known measurement problems particularly in developing countries. Nonetheless GNP is widely used as a measure of economic activity and resource availability.

be compared with the scope of the basic needs problem, and derives an indicator of need that is independent of measurements of the extent of poverty.

Consider a country that has a GNP (or national income) of Y . Let \bar{y} signify the per capita poverty line (say \$200 per year), i.e., the per person cost of a standard of living that would meet basic needs. Suppose the country has M poor people (with incomes below \bar{y}) and N non-poor people (with incomes at or above \bar{y}). National income can be divided into two parts: one part accrues to the poor (Y_p) either directly through earned income or indirectly through redistribution. The rest accrues to the non-poor (Y_n). Thus

$$Y_p + Y_n = Y$$

The extent of poverty (P) in this country would be measured by the difference between the income required to meet the basic needs of all the poor ($\bar{Y}_p = M \times \bar{y}$) and the income that the poor actually have (Y_p), i.e.

$$\begin{aligned} P &= \bar{Y}_p - Y_p \\ &= (M \times \bar{y}) - Y_p \end{aligned}$$

We can also consider the minimum income required to meet the basic needs of the non-poor, i.e. $\bar{Y}_n = N \times \bar{y}$,

To measure domestic resources available to deal with poverty we should look beyond national income (some of which already accrues to the poor) and beyond the income of the non-poor (because some of this income, namely \bar{Y}_n , is required to meet the basic needs of the non-poor). The best measure of resources available to address the poverty problem would be given by:

$$\begin{aligned} S &= Y_n - \bar{Y}_n \\ &= Y_n - (N \times \bar{y}) \end{aligned}$$

That is, S measures the maximum amount of domestic resources -- "surplus" resources -- that a country could hypothetically mobilize to alleviate poverty, without pushing non-poor individuals below the poverty line.

If P is the proper measure of the extent of poverty, and S accurately represents domestic resources available to deal with poverty, the next problem is to find a useful expression that compares the two. An immediate possibility is:

$$\frac{S}{P}$$

This appears useful in that it measures surplus resources as a multiple of the amount of poverty. The greater the value of S/P, the less needy a country. Further, the measure is independent of the absolute size of the economy.

However, it is not independent of the distribution of income, nor of policies that affect income distribution. For instance, suppose that initially

$$\frac{S}{P} = \frac{4}{3} = 1.33$$

for a country, which then pursues policies that redistribute 1 unit of income from rich to poor. Then, both S and P would decrease by 1, i.e.,

$$\frac{S}{P} = \frac{3}{2} = 1.5$$

This country would then be rated less needy (since S/P is larger), particularly compared with a similar country which did not pursue egalitarian policies. Thus, it would appear desirable to seek a measure of need which is independent of a country's performance with respect to equity, since this is considered as a separate allocation criterion.

A second way of comparing S and P would be to look at the difference between the two, $S - P$

It quickly becomes apparent that this measure would vary with absolute size of the country's economy, a problem that can be resolved by using

$$\frac{S - P}{Y}$$

This expression gives the "net" amount of surplus resources as a fraction of national income, i.e. the fraction of national income that would remain as "surplus" if all poverty were alleviated out of current GNP. The greater the value of this expression, the less needy a country since the fraction of national income that would be left over if poverty were alleviated through static redistribution policies would be larger.

Further, such a measure is independent of income distribution and redistributive policies, and, therefore, independent of performance regarding equity. For instance, any policy that transfers a dollar of income from the non-poor to the poor leaves the expression unchanged, since both S and P would decline by a dollar. Likewise growth in per capita GNP would tend to reduce need, regardless of how the increase in income is distributed.

There are at least two problems with using the expression $\frac{S - P}{Y}$ to indicate need. First, both of the terms in the numerator are quite difficult to measure. Secondly, the expression might come out to be zero or negative, which would hamper certain kinds of comparisons.^{1/}

To resolve both of these difficulties, we can consider the expression:

$$1.0 - \left(\frac{S-P}{Y}\right)$$

The term in parenthesis represents the portion of national income that would

^{1/} It can be shown that the expression $\frac{S - P}{Y}$ will be zero or negative when per capita income is equal to or less than the poverty line. The sorts of comparisons carried out in the Indicative Planning Allocation Procedure call for strictly positive numbers.

remain as surplus if all poverty were alleviated out of current GNP. Thus, it represents the fraction of national income that would not be required to meet the basic needs of all people in the country. By subtracting from 1.0 we get the fraction of national income that would be required to meet basic needs. This is an equally valid measure of need, indeed they are two sides of the same coin.

By either reflection or algebraic manipulation, it can be deduced that the fraction of national income required to meet basic needs is directly measured by the ratio of the poverty line (\bar{y}) to per capita income (y).^{1/} This is readily measurable and always has a positive value.

To summarize, the ratio of the poverty line to per capita income can be derived as a measure of need by considering that each country faces the task of meeting the basic needs of all its people. While the obvious problem is the poor, the volume of domestic resources available to deal with poverty depends on the number and income of the non-poor. This measure of need is independent of performance regarding equity and, like per capita income, is neutral regarding country size.

^{1/} Using algebraic manipulation, first define

$$\bar{Y} = \bar{Y}_n + \bar{Y}_p$$

as the amount of national income required to meet basic needs. Then

$$Y = Y_n + Y_p \quad (\text{By definition of } Y_n, Y_p)$$

$$Y = (S + \bar{Y}_n) + (\bar{Y}_p - P) \quad (\text{By definition of } S, P)$$

$$Y = (S - P) + \bar{Y} \quad (\text{By definition of } \bar{Y})$$

$$1 = \frac{(S - P)}{Y} + \frac{\bar{Y}}{Y} \quad (\text{Divide by } Y)$$

and $\frac{\bar{Y}}{Y} = \frac{\bar{y}}{y}$ (Divide by population)

IV. Measurement Problems and Possibilities

There are several possible approaches to estimating the need measure derived above. Ideally the average per capita cost of a standard of living that meets basic needs would be estimated for each country, considering differential rural and urban requirements and costs; different requirements of adults and children, etc. For public services, the per person costs of "adequate" health and education services would need to be estimated.^{1/} For purposes of international comparisons, a key problem would be that of allowing for differences in climate, culture, etc. while still providing for essentially the same standard of living.

While these estimates are fairly difficult, particularly if public services are included, they would have a number of virtues. First, they would provide an extremely useful planning and programming tool for identifying the poor and incorporating basic needs considerations into development plans. Secondly, although difficult to establish, they could be fairly easily updated since they would essentially depend on a limited number of price observations. Finally, given a calculation in local currency, the poverty line could be compared with per capita GNP also expressed in local currencies. Therefore, movements in exchange rates, which provide for considerable instability in estimates of per capita income measured in dollars, would not directly affect the need measure (except through effects on individual prices). Similarly, estimates of per capita GNP

^{1/} These estimates would be independent of whether the services were delivered for fees, or gratis. However, they would depend heavily on the existing health and education status of the population and on the time period that might be set for achieving targets for literacy, infant mortality, life expectancy, etc. For education, the per capita costs might include not only the costs of primary education, but also adult literacy. For health, the costs of normal preventive health services would be augmented by the costs of curative services, and also disease eradication campaigns. In this manner, indicators of need such as the PQLI would be implicitly reflected in the poverty line, and hence in the need measure.

in current prices could be used (avoiding the problems of calculating a GNP deflator) as long as the poverty line was also formulated in current prices.

A short-cut version of this approach used by the World Bank estimates the poverty line based on the expenditures needed to achieve an adequate diet, plus an allowance for expenditures for other essential private goods such as shelter and clothing.^{1/} Typically, both an urban and a rural poverty line are measured. However, a single poverty line could be derived by calculating a weighted average of the two according to the distribution of the population in urban and rural areas.

A third possibility is to rely on forthcoming work by Irving Kravis on international comparisons of purchasing power. This forthcoming work will expand the number of countries for which detailed price comparisons are available to 34, and will update the observations to 1975. On the basis of the 34-country sample, estimates of per capita income in dollars of uniform purchasing power will be derived for other countries. These would provide an approximate estimate of the desired need measure to the extent that differences in poverty lines across countries were reflected in differences in purchasing power of a dollar. Thus, if the entire difference between India's poverty line and Kenya's poverty line could be explained by differences in the purchasing power of the local currency equivalent of a dollar then a factor that measured

^{1/} See "Income Growth and Poverty Alleviation in Thailand: Results of Some Special Studies" Report No. 2566-TH and "Tunisia: Social Aspects of Development" Report No. 2950-TUN.

that difference (i.e., the adjustment factors indicated by the Kravis analysis) would enable us to compare India and Kenya on the basis of need simply by comparing their adjusted per capita incomes.^{1/}

A fourth option is to use the regional poverty lines developed by the ILO in the expression for need. This is essentially the approach used in the indicative planning allocation procedure. The problem is that one could reasonably expect a large amount of intra-regional variation in poverty lines, particularly among countries of different per capita income levels.^{2/} For instance, the poverty line in Haiti, an exceptionally low-income Latin American country, might be much closer to that of Tanzania (which has roughly the same per capita income) than to the poverty line in Panama (which has a much higher per capita income, and probably much higher living costs). Yet the use of regional poverty lines treats Haiti and Panama as equals, and both quite different from Tanzania.

A fifth option is to use per capita income alone, and implicitly assume that the poverty line in each country is the same. This approach is not as deficient as it might sound. For instance, the work published by Kravis so far indicates that differences in the purchasing power of a dollar are mainly a function of per capita income levels, so that a country with per capita income of \$400 has a real income (adjusted for purchasing power) about 80 percent higher than a country with per capita income of \$200. This result, based on a fairly small sample of countries, indicates that a ranking of countries by observed PCI very closely resembles a ranking by real PCI, except that the "distance" between countries in the

^{1/} For instance, suppose measured per capita income is \$100 in India and \$200 in Kenya, but purchasing power considerations indicate that "real" per capita income is only 1.5 times as great in Kenya as in India. Under the assumption set forth above, the poverty lines in "real" terms are equal. Therefore, the need measure for India is 1.5 times as great as for Kenya.

^{2/} The results of Kravis' published work suggest this is so.

second ranking is more compressed. (That is, a ratio of 2 to 1 in the first ranking becomes a ratio of 1.8 to 1 in the second.) Thus, unless we think that the poverty line rises more than proportionately as per capita income increases, a ranking of countries by need (i.e., \bar{y}/y) is likely to closely resemble a ranking by per capita income alone (i.e., $1/y$).

There are other considerations that point to the usefulness of per capita income as an index of need. First, it is highly (negatively) correlated with estimates of percentage of populations in absolute poverty. For instance, per capita income levels alone (unadjusted for purchasing power) explain 81 percent of the variation in estimates of percentage poor for the 36-country sample analyzed by Chenery, Carter and Ahluwalia.^{1/} A similarly close relationship exists for the DAC estimates of percentage poor. Second, per capita income is highly (positively) correlated with the PQLI; the correlation coefficient is about .75. Further, much of the variation in PQLI's that is not explained by income levels can be attributed to commitment, progress, and performance factors which ought to be considered separately from need. Third, domestic savings rates tend to rise as per capita income rises. According to the recent draft World Report 1980, low-income countries (1978 PCI of \$360 or less) save an average 15 percent of GDP, whereas middle-income LDCs are able to save 22 percent. Thus as per capita income rises, the volume of domestic resources that can be allocated to investment rises more than

^{1/} See Chenery, Carter and Ahluwalia (op cit) for these estimates. Regression results available from the author.

proportionately. Fourth, it is well established that LDCs with higher per capita incomes have substantially greater access to private and other non-concessional sources of external finance.^{1/}

V. Other Donor Assistance and Need for U.S. Assistance

Per capita GNP, adjusted for cost considerations if possible, provides a reasonably good indicator of need for outside assistance, the criterion identified in the legislation. However, the need for U.S. assistance depends not only on per capita income but also on assistance from other donors. Data on commitments of Official Development Assistance are published by the DAC. These data include commitments on a bilateral basis from members of the DAC, commitments from multilateral sources to which DAC members contribute; and commitments from multilateral and bilateral sources associated with OPEC. They are currently available through 1978 and 1979 data should appear around November 1980.

These data are most useful when considered on a per capita basis; and compared with per capita income. Some of the more extreme cases are represented by the following data:

^{1/} See for instance the DCC paper on middle-income countries issued in Spring 1979, or any issue of the World Development Report.

<u>Country</u>	<u>Per Capita GNP 1977</u>	<u>Average Annual ODA Per Capita 1976-1978</u>
	(\$)	(\$)
Ethiopia	110	4.65
Somalia	110	68.77
Burundi	130	57.96
Burma	140	8.07
India	150	3.32
Gambia	200	66.18
Mauritania	270	131.73
Uganda	270	2.31
Botswana	410	119.86

These data suggest that a ranking of countries according to need using only per capita income might be altered considerably by adding per capita ODA (less US Commitments) to per capita income. While the CDSS guidance requests consideration of other donor assistance, missions are not in a good position to make systematic cross-country comparisons. Accordingly, this should probably be considered at a prior stage, in arriving at indicative levels.

The main problems with incorporating assistance from other sources is instability both in the total amount available from each source, and the pattern of allocation, in the context of an allocation procedure with a three to seven year horizon. (This is somewhat mitigated by the fact that data are on a commitments basis.) A second consideration is the degree of concessionality of assistance. A third possible consideration has to do with how assistance from other sources is used, which depends not only on the priorities of the recipient, but also on the objectives of the donor. In this respect, assistance from some donors may be much more effective in meeting basic needs than assistance from others.

VI. Other Factors

A. Population

The discussion so far has identified per capita income (compared if possible with a poverty line, i.e., the per capita cost of a standard of living that meets basic needs) and per capita ODA as important indicators of need. These indicators would facilitate a ranking or comparison of countries as more or less needy, by focusing on the availability of resources on a per capita basis. It is only logical that the U.S. assistance response should likewise be measured in per capita terms. In other words, population should logically be considered a scaling factor.

In fact, it is customary for donors to focus on volumes of assistance measured in absolute terms (say millions of dollars) rather than in per capita terms. According to most studies of allocation patterns, this has resulted in a substantial bias in aid allocations in favor of small countries in the sense that assistance measured on a per capita basis tends to fall sharply as population size increases. For instance, econometric analysis of ODA allocations from all sources to 102 developing countries indicates that as population size doubles, total assistance tends to increase by only about 25 percent, contributing to a sharp decline in per capita assistance.^{1/} Yet there are no convincing arguments that large countries are less needy than small countries by virtue of population size.

B. Future Prospects

Insofar as our concern is with the medium and long-term achievement of development objectives, we should look not only at current need for outside assistance, but also prospective resource availability. For instance, a number of countries have experienced fairly rapid growth in

^{1/} Details available from the author.

per capita GNP over the past seven years. Insofar as this performance would be maintained with a diminished U.S. presence there is a case for considering such countries as less needy than countries at similar income levels, but with dimmer growth prospects. Some examples are presented below:

<u>Country</u>	<u>Per Capita GNP^{1/}</u>	
	<u>1977 Level</u>	<u>1970-77 Average Annual Real Growth (%)</u>
Costa Rica	\$ 1,390	3.6
Dominican Republic	840	4.6
Tunisia	840	6.5
Guatemala	830	3.3
Ecuador	820	6.1
Paraguay	750	4.3
Morocco	610	4.2
Yemen Arab Republic	510	5.9
Philippines	460	3.7
Thailand	430	4.1
Indonesia	320	5.7

1/ Figures are from the latest World Bank Atlas, which differ in some cases from the 1979 WDR due to exchange rate adjustments. The figure for Yemen is from the 1979 WDR data on GDP growth.

At least two considerations need to be mentioned. First, there is a significant overlap in using both per capita income and growth prospects as indicators of need, because growth prospects for middle-income countries are on the whole much brighter than for low-income countries. This suggests that income levels alone serve as something of a proxy for prospective differences. Secondly, there are some apparent conflicts between performance criteria (which call for more assistance to rapidly growing countries) and need criteria (which might call for less assistance to rapidly growing countries). However, this conflict is inherent in the notion that successful development should entail diminished dependence on foreign assistance.

C. Balance of Payments

It's been frequently observed that balance of payments factors ought to be included in considering need for outside assistance. The CDSS guidance calls for macroeconomic analysis that takes account of balance of payments factors. The issue is whether there are useful indicators that could be used for systematic comparisons across countries in exercises such as the IPA and the Country Rating exercise. There are two problems with most indicators of need for foreign exchange. First, they are typically not very stable, and, therefore, not too useful for planning over a three to seven year horizon. For instance, much was made of India's ample foreign exchange reserves during the recent CDSS reviews, however, these are currently declining and are expected to fall by a further, substantial amount. Secondly, many indicators (such as debt service ratios) are known to be ambiguous and need to be considered in the context of overall macroeconomic potential and prospects. They do not facilitate straightforward cross-country comparison. At the same time, there are countries such as Indonesia, Nigeria and Ecuador, which are less needy than indicated by per capita income levels by virtue of oil exports. The argument here is that while per capita GNP (which includes exports) accurately measures overall domestic resource availability, the funds from oil exports are more readily channeled into development expenditure than other elements of GNP. This shows up in high domestic savings rates (22 percent for Indonesia; 28 percent for Nigeria; and 26 percent for Ecuador). These situations need to be considered on a case by case basis.

VII. Other Development Objectives

The discussion so far has dealt with indicators of need for assistance in the context of an overriding concern with the global problem of increased satisfaction of basic needs over the next several decades. However, recent policy statements have emphasized more proximate, sectoral objectives related to food, population and health, and energy. In general, these are important elements in any strategy directed towards poverty alleviation, although the linkages are frequently not spelled out. At the same time an allocation pattern determined by specific sectoral objectives might look quite different from an allocation pattern determined by general basic needs considerations. This is true for both the pattern of allocations among countries and the pattern of allocations among sectors. In particular, indicators of need in the context of sectoral objectives would not necessarily point to the same countries as BHN indicators. To cite one example, rates of population growth are on average higher in middle-income countries than low-income countries. A foreign assistance program aimed at reducing population growth might logically use high population growth rates as an indicator of need for assistance in the population sector. This could result in a country allocation pattern concentrated to a greater degree in middle-income countries than a pattern derived from BHN criteria.

Similarly, suppose the allocations of assistance among countries are made on the basis of BHN criteria, and that missions then program assistance according to their perceptions of the most effective sectoral allocations for achieving basic needs objectives. There is no reason to think that

the resulting allocation pattern among sectors, when aggregated across countries, will resemble the pattern determined by directly considering sectoral objectives and criteria.