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A Root Cause of Underdevelopment: The Political Context  
and  
Its Implications for The Future of Foreign Assistance

by

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Introduction

As the third world's debt crisis continues to expand, increasing attention is focused on the role of foreign assistance in the development process. What can be done to make foreign assistance more effective? How do we explain the deteriorating economic and social conditions in Africa, Latin America and parts of Asia despite large infusions of foreign aid? How do we meet the demands for more aid?

In one approach, the United Nations, third world states and even many developed countries in the early 1980s cooperated in passing a resolution that calls for a New International Economic Order (NIEO). They also developed the International Development Strategy (IDS). Both of these resolutions call for transfers of considerable resources and extensive restructuring of the world economic order so that it more favorably meets the needs of the developing countries. One U.S. presidential candidate even carried the themes of the NIEO and the IDS into the 1988 presidential primary campaign.

A.I.D. and the U.S. Congress are beginning to consider possible new approaches for foreign assistance. The IMF, the World Bank and other major donors are in search of effective ways to provide additional resources for third world countries whose combined debt now totals more than a trillion dollars. If this process is to result in relevant and effective responses to the debt and underdevelopment crises, we must change the nature and scope of the dialogue. It is essential that the developing countries of Asia, Africa and Latin America and the developed countries talk to each other with candor, as colleagues rather than adversaries. Demands, ideological rhetoric, and scapegoat distortions of reality will not address the root causes of underdevelopment, however we define those causes.

During A.I.D. Administrator Alan Woods' March 1988 appearance before the Senate Foreign Relations Committee, Senator Helms asked:

Can the U.S. really aid the development of a country without addressing and trying to eliminate the root causes of its underdevelopment?

Ambassador Woods responded:

No, I do not believe that it can. Generally speaking, inappropriate economic policies are the root causes on which we need to focus. They are blocking whatever opportunities these

countries have for the kind of solid economic growth that would put them in the position where they could afford to use their own resources to pay for water, health, education and other services.

It is also important to note that A.I.D. has been directed by Congress to focus not only on economic growth but also on direct interventions that aim at improving the health, education and general welfare of the populations of developing nations. The longevity of such programs depends, of course, on the capacity of the recipient countries to sustain them, and that brings us full circle -- back to the absolute need to get the economies of developing countries pointed in the right direction and growing.

Senator Helms may have asked the most relevant question facing A.I.D., the U.S. Congress and other donors as we now try to address the future of foreign assistance. Ambassador Woods' response is a significant part of the answer. But it does not address the political context as a root cause of underdevelopment. This very sensitive and complicated dimension has generally never been seriously addressed by either the donors or the recipients of foreign assistance in terms of its operational effect on the design, implementation and impact of foreign assistance policies and programs. Nevertheless, it is the political context that most directly affects a state's capacity to sustain viable economic policies and development activities in areas such as health, education, general welfare, human resource mobilization, agriculture, power generation, water and wastewater programs.

One of the purposes of this paper is to briefly define and demonstrate how the political context as a whole, or any one of its elements, can adversely affect the use of foreign assistance toward self-sustaining economic and social development. A second purpose is to briefly outline implications for A.I.D. and US foreign assistance approaches.

This paper is developed primarily on the basis of personal experience and "lessons learned" during 23 years of living with the development issues raised by the aid programs of the Peace Corps and the Agency for International Development. The views expressed are my own. They do not represent the views of the State Department or A.I.D. Many may be controversial.

I hope this paper can catalyze a long overdue analysis of the political prerequisites for sustainable development in the third world and how these prerequisites affect the capacity of foreign assistance to effectively contribute to such development. Specifically, this paper might be used to initiate a series of seminar-like discussions that would:

- examine its contentions on the role the political context plays as (1) a root cause of underdevelopment and (2) a target that can be viably attacked by either the host

government alone or in concert with foreign donors. And then, assuming some agreement on the nature and scope of the obstacles (or opportunities?) created by the political context,

- assess the implications for the United States and/or the donor community in terms of the manner in which foreign assistance is provided and for what purposes.

Such discussions would also have to address:

- the role of Congress in providing resources for aid;
- the structure, personnel and programming processes of assistance agencies;
- the changes that will be required by donors who often in the past have used foreign aid less for true development purposes in third world countries than to cover short term political interests abroad or respond to special interest groups at home (business, ethnic groups, PVO's).

If we are truly sincere about making foreign assistance effective as a development resource, I believe such discussion is imperative. If we are not prepared to change our own approaches, and we determine that developing countries are not prepared to create the conditions that will ensure effective utilization of our resources, then we should at least sharply curtail our expectations (and rhetoric) that either our money or our aid personnel can achieve development progress sufficient to turn third world countries into producers of their own wealth rather than consumers of ours.

## I. A Root Cause of Underdevelopment: The Political Context

### A. The Political Context

The political context includes many elements, though extensive delineation of each is beyond the scope of this paper. Most of these elements overlap, adding to the complexity of the problem. A major factor that underlies any political system and process is the country's political culture, including particularly its organizing concept of power. The organizing concept of power usually derives from cultural and historical experience and inevitably affects in varying degrees the "behavior" of the political system and its many actors.

Interministerial rivalries are part of the political context. Hierarchical politics, values and patterns of action in ministries and throughout societies are part of the political context. Clique group politics, which can even cut across ministerial hierarchies are part of the political context, as are personal rivalries. Parastatals are often

active participants in the political process. Ethnic divisions are major factors in third world politics. Where permitted to exist, political parties obviously are part of the political context.

With all these actors, the process of politics becomes in large measure the means by which power is exercised, shared, and fought over between people and organizations within the more formal system or structure. The structure of a political system may or may not have great influence over the process, particularly in developing countries where structures may be inspired by more recent Western examples than derived from the traditional, still operative political bureaucratic culture. Thus, the political process itself can be driven more by this culture and the purposes, objectives and values of those who exercise power than by the structure of the legal, 'modern' political system itself.

Finally, when taken together, these 'participants' in the political process mean that a developing country is seldom fully united in its interaction with foreign donors. These different actors sometimes use foreign donors' financial resources, as well as their personnel and policy dialogue efforts, for their own internal political purposes vis-a-vis each other. When this occurs, the original development purposes of the aid are often sacrificed or otherwise compromised.

Because the existence of political factors is fairly obvious, yet so difficult to understand or influence, they may be taken simply as givens by foreign donors. No further effort is made to understand either the sources and interaction of these factors or, more importantly, how they affect the usefulness of foreign assistance for achieving developmental objectives. Herein lies a major explanation for the limited impact of foreign assistance on the other root causes of underdevelopment in many third world countries.

Interestingly, Gunnar Myrdal, speaking to an audience in Sweden in September 1981, provided a perspective that also responds to Senator Helms' 1988 question to Ambassador Woods. Gunnar Myrdal observed:

There are several factors making it impossible to get the economies of the developing countries under way through the massive economic assistance proposed in the Brandt Commission's Report to the United Nations and the governments of the world. The rich industrialized countries, because of deficits in their payments balances, are having difficulties in providing the economic assistance required to get the economies of the developing countries turning over.

Moreover, the political situation in many of the developing countries is scandalous. At the international conferences which are arranged to solve the problems of the developing countries, the peoples of those countries are represented by an economic elite who lack the true will to solve the problems of the vast majority.

Widespread social reform would be necessary in many developing countries if the assistance was to be of any use to the people in real need. It is meaningless to talk about a New International Economic Order without such reforms.

Today's assistance to the developing countries is no more than a drop in a vast ocean of needs. It would therefore be better if the assistance went as disaster aid to the millions of people who risk starving to death. As things have developed, that is the only conclusion.

Why do we continue to provide assistance that does not help those really in need of it? It is because we are so polite to one another when we meet at international conferences on how we can improve the economies of the developing countries. Being polite to one another is all we really succeed in doing at our international conferences. I regret that I do not see any start to collaboration between industrialized and developing countries in solving the economic problems of the developing countries.<sup>1</sup>

Myrdal recognizes that foreign assistance sometimes serves as a crutch for crippled political-economic systems that lack the necessary political, economic and social structures, processes and policies, accompanied by certain attitudes and patterns of behavior conducive to development. The past 30 years of effort clearly demonstrate that without unwavering political will in the highest echelons of the government to undertake uncomfortable changes, foreign assistance cannot catalyze self-sustaining, growth-oriented economic and social development. That political will derives directly from and depends on the political context in each country.

Understanding the political context will require systematic analysis of how all the factors briefly delineated earlier interact. Such analysis must, as Robison suggests, also address the role of the state in creating the political conditions for the existence of a specific economic or social order or for the dominance of specific classes or social groups. Robison argues,

"We [must] confront the fact that a state has certain minimum obligations to provide material, legal and ideological infrastructures necessary for the reproduction of a specific social order which cannot simply be explained in terms of the immediate interests or predelections of its officials. To discover the link between state and society we cannot confine ourselves to analysis of social origins or ideological attachments of officials, nor should the existence of an economic and social component to political action be dismissed simply because no effective political parties exist. Limits upon the autonomy of the state are imposed by the very social and economic context in which it is located."<sup>2</sup>

## B. Defining Development

In addition to identifying the political context as a possible root cause of underdevelopment, and before proceeding to demonstrate how the political context can affect different elements of the development process, it may be useful to define what we mean by development. To begin with, we do not mean modernization. In fact, modernization and development are different. Perhaps one of the most useful analyses of the difference is provided by Norman Jacobs. According to Jacobs, development may contain modernization as an integral part but not vice versa. He suggests that we,

use "modernization" to denote the maximization of the potential of the society within the limits set by the goals and the fundamental structure (or forms) of the society. Modernization is stimulated by novel, recently revealed ways of accomplishing tasks which offer improved, more successful ways to cope with the existing, traditional environment... This is a continuous process. The stimulus for modernization may be external, or internal, or both... The formal reaction to this stimulus may be western, it may be indigenous, or it may be a combination of both, the mix of which may vary considerably not only from society to society but also from one feature to another in the same society.

Development, in contrast, is used to denote the maximization of the potential of the society, regardless of any limits currently set by the goals or fundamental structure of the society. In this view, development is an open-ended commitment to productive change, no matter what the consequences might be on existing goals or existing ways of doing things. For this reason, development is said to be dependent on a commitment to objectivity, that is, that innovation is accepted or rejected on the objective grounds of whether or not it contributes to maximizing the society's potential...

This is because, in a developed or developing society, the maximization of the potential of the society is accepted as being legitimately within the limits set by the goals and the fundamental structure of the society no matter what the consequences maximizing the potential might have upon the other goals and fundamental structure of the society.<sup>3</sup> (Emphasis added)

This definition of development has uncomfortable implications for both recipients and donors of foreign assistance. Sacrifice will be required by donors as well as recipients because commitment to change, with all its inherent risks, is the most basic ingredient in any development process. Stability, predictability and even retention of control are all but impossible within a development process. The consequences of certain

changes cannot always be foreseen and they may even create more difficult problems requiring additional efforts. For this latter reason foreign donors must also accept the prerequisite commitment to change in approaches, policies and purposes of foreign assistance. And they must be prepared to help deal with the consequences of change in developing countries if they want to ensure the effectiveness of the donor-recipient development assistance relationship. Further discussion of these implications is provided in Part II of this paper.

### C. The Impact of the Political Context

#### 1. Economic Policies

Economic policies are developed and implemented by political leaders operating within a political process. Linkages between political processes and economic policies thus exist on several planes. First, some economic policies such as subsidies for state owned enterprises, monopolies, and restraints against the private sector are often designed precisely to sustain the political leadership's power base. In most third world states parastatal companies are headed and managed by people who are key political supporters of the government leadership. The parastatals serve as sources of prebends for loyal supporters.

Thus, the unemployment most feared as a result of "Western imposed" economic reforms may be that which would be faced by supporters of the regime who could not survive in a market regulated economy that placed more of a premium on entrepreneurship and productivity than skill at clique-oriented politics among a privileged elite.

On another plane, even the development and implementation of "correct" economic policies depends on a given political leadership's capacity to sustain those policies while under assault from whomever's ox is being gored. Such capacity depends directly on how well the political process enables the government to obtain the cooperation of the general population as well as key leaders outside the governing elite. Are there, for example, many channels for obtaining political support for necessary reforms? In essence, to what extent do the government leadership and the political system enjoy popular legitimacy? The greater the legitimacy, the greater the capacity of a regime to endure economic crisis and the pain of economic reform. Unfortunately, in many developing countries there are no independent channels providing willing support for reform. Such potential channels as political parties, parliaments, the press, student organizations, labor organizations, academia are instead intimidated, infiltrated, manipulated or bribed. There is no opportunity for creative cooperation.

The difficulty for A.I.D., even if we accept the existence of such linkages is that it seems there is very little we can do directly about political processes in developing countries because any such suggestions could be viewed as "interference" or "aid with strings." This may explain why we spend so little effort trying to understand political processes and how certain inherent linkages affect our assistance

programs. The result nevertheless, is that we find ourselves trying to force a development process which we have largely designed ourselves to occur somehow automatically outside or in spite of a given political context. Even when host country experts are the designers of development programs with their own objectives, they too, often do not appear to fully understand what is really feasible within the constraints of their country's political process.

Even when the political dimension is addressed as, for example, with our decentralization programs in Egypt and other countries, we either still assume that the governing elite shares our definition of decentralization or we ignore any gaps in objectives. We often lack understanding of the political culture and the organizing concept for political power in the society. We seem to assume that the government leadership and the other actors in the system are fully prepared to restructure the allocation of power in the political process so that our goals of decentralized authority to raise and spend revenue, for example, can be achieved. In fact, however, their objective may only be directed toward extension of the central government's reach through more decentralized administration, not power and authority independent of central government veto.

## 2. The Distribution of Economic Opportunities/Privatization

The NIED asserts that accelerated world wide development requires more equitable distribution of economic opportunities among nations. The NIED ignores the parallel (if not prerequisite) need for more equitable creation and distribution of economic opportunities within the developing nations before they can effectively participate in world wide development. Accelerated growth requires more equitable distribution of opportunities and incentives at the outset. It requires broad mobilization and participation of people and their talents so that growth can occur more evenly throughout society. More people should share in the production of goods and services and directly receive the benefits therefrom because they either have direct control over or opportunity to affect decisions on the policies and programs that determine the nature and extent of development in their villages and provinces.

These considerations underlie AID's privatization objectives. They also underlie the recent efforts even in communist countries to allow more opportunity for private sector activity. Nevertheless, we must recognize that privatization objectives, including the sale of government parastatals, can have significant political consequences in a country where the government leadership depends on parastatals more for political support than economic productivity. Thus, privatization is as much a restructuring of a political process as it is an economic policy reform. As such, privatization will only be fully realized in those statist oriented economies where the political leadership has decided to run the risks inherent in restructuring and even shedding a major part of their political power base.

Government leaders in most developing countries must accept an uncomfortable reality and challenge: redistribution of political power and expansion of opportunities in the decision making process for economic policies are prerequisite to accelerated economic and social development and equitable distribution of the benefits therefrom. Although it may never be so clearly stated, it is this dilemma that the Soviets and the leaders of most other communist states are also wrestling with today. Indeed, it is entirely possible that this is the fundamental meaning of the events at the Soviet Party Congress held in June 1988 and in the wide spread reform efforts underway for at least the past three years in both China and the USSR. The leadership in these countries recognize, even if many opponents in their respective party and government bureaucracies do not, that Marxism-Leninism, along with its state control apparatus, are unable to inspire or sustain expansion of the type of skilled human resources needed to keep pace in an increasingly high tech world.

The new information/communication research technologies demand an inspired, imaginative work force free to seek and create knowledge in all sectors of economic, scientific and social endeavor. Such imagination and risk oriented behavior is impossible within closed societies controlled by restrictive all-pervasive political systems, processes and ideologies.

For too long, even among Western scholars it has been conventional wisdom in modernization theory to argue that democracy depends first on strong economic development, or at least that "democraticness" will increase along with improvements in economic conditions. It is a major thesis of this paper that the reality may be the reverse: expanding the scope of political democracy actually improves the prospects for broad economic development because it ensures the broadest possible opportunities for participation and attendant growth of the human resource base. (See I C. 7 below) In a recent article in Foreign Affairs, Marshall I. Goldman and Merle Goldman offer a perception of Soviet and Chinese economic reforms that appears to support this thesis:

Gorbachev ... gradually came to realize that the Soviet Union's economic problems could not be solved by exhortation alone. ... Thus Gorbachev decided to advocate cultural, political and social change, and ultimately radical economic reforms. ... In September 1986 he began to call for "democratization," by which he meant the introduction of elections with multiple candidates at the local level in order to curb some of the more extreme abuses of power. He hoped to unleash local initiative and creativity.

In contrast to Deng, Gorbachev found that he could not set economic reform in motion without first loosening the country's political controls. Glasnost and "democracy" on the local level had to come first. In China the controls had already been somewhat loosened by the disruption and decimation of the bureaucracy during the Cultural Revolution. Even though Deng in

1980 criticized the party's "over-centralization" of power, it was only after his economic reforms began to slow in 1986 that he and his reform colleagues began in earnest to advocate political reforms, principally the reduction of the party's role in the economy and separation of the party from the government and enterprises so that they might run more efficiently. They too called for "democracy" on the local level to encourage grass-roots initiatives.<sup>4</sup> It is clear in any case that there is no smooth transition to democracy. Nor is development, even within democratic systems, a smooth process. Recent analyses of 124 countries over the thirty year period from 1948 to 1977 show considerable vacillation between authoritarian and democratic political systems, especially for countries on the middle level of the economic development paradigm. Zehra Arat explains the instability of democracy in these systems as the result of the imbalance between two types of human rights: civil/political and social/economic. And suggests that developing countries may establish democratic systems that require the protection of civil and political rights but then fail to afford social and economic rights equal protection.<sup>5</sup> Such imbalances, including when the pursuit of social and economic rights takes place at the expense of civil and political rights, cause citizens to question the legitimacy of their governments.

### 3. Human Dignity

Even the relatively clear goal of promoting human dignity can be especially complicated because it is as much a political process as it is economic and social. What are justice and equity if not political terms or goals? All three elements are equal, indispensable parts of a whole. And yet, how many countries in the developing world have virtually closed out of the policy and decision-making processes large numbers of their own people (well-educated or not) simply because these people and their ideas were threats to the current status quo or to the people who control power in the state? Promoting human dignity, thus, also implies restructuring the political process and reallocating some political power to ensure that the poor--indeed all elements in society--can effectively promote and protect their interests.

### 4. Basic Human Needs and the Poor

Development efforts that seek to address basic human needs in health, education and food security are also affected by the political context. This is especially true when the objective is developing self sustaining capacity rather than state to state welfare, to meet these needs.

The key development paradox faced is whether within the limits of current political processes it is possible to develop and successfully implement the types of basic human needs programs that are necessary to resolve the conflicts created by a widening income gap or even to eventually narrow the gap itself. This paradox must become the subject of intense attention by all who really care about the poor.

One of the early attempts in a developing country to address this paradox occurred in Indonesia in the late 70s. The leading Indonesian newspaper, Kompas on 6 December 1979, referring to then Vice President Adam Malik's recent statement admitting to failures of development in many regions, suggested that the interests of the people should not be considered according to technical aspects alone but should have a "human or people oriented spirit." Kompas concluded, "Development in the regions that does not reflect the aspirations of the people is a result of a mechanism that is not yet perfect. How can regional aspirations be guaranteed in development projects that are implemented by the central government?"

Again, on 9 January 1980, Kompas reported that fully 32% of the development budget for 1978-79 had not been used. Kompas saw the crux of the matter as the absorptive capacity of the society to which development funds are directed. It suggested that the whole process, attitude and orientation of development and direction from above had to be changed. Instead, echoing the theme of its 6 December 1979 editorial, Kompas pointed out:

The efforts, desires and awareness of the people themselves must become the base and source for development. Even if the bureaucrats serve honestly, individuals within the communities must still be found and encouraged to participate. These are the people who will increase the absorptive capacity of the communities themselves. The connection between funds and assistance from above with the efforts and dynamism of society still hasn't occurred so that it can increase the development momentum of society. When this does occur the absorptive capacity will be optimal.

Once again, the fundamental obstacle to effective development at the lowest levels appears to be the centralized, government official-dominated planning and implementation process and the lack of authority at province and lower levels of government to control and allocate resources themselves.

Even earlier, in 1978, another leading Indonesian economist, Soedjatmoko, addressed "The Implications of the Basic Human Needs Model." Writing in the Indonesian social science journal, Prisma, he observed,

In other words, freedom is itself a basic need, if the meeting of basic material needs is to lead to emancipation and self-reliance. We are faced here with a crucial contradiction inherent in the development process. On one hand there is the need for strong central power and economic rationality from the top, capable of bringing about major structural changes and a rational allocation of limited economic resources. On the other hand, the building of a participatory society requires freedom as an essential condition to develop the capacity of a society to organize itself. Local autonomy, self-reliance and socially effective participation at the village level are inalienable parts of that freedom.<sup>6</sup>

During a discussion I had with Soedjatmoko on 10 July 1988, he modified this view. He now believes that Western economic development experts, especially in academic circles in the United States have for too long promoted the idea that development in third world countries demanded centralized planning. "Your own universities have become part of the source of the problem we face today in changing this perspective in our countries."

## 5. Participation

Thus, participation becomes a crucial issue. Even the mobilization of performance oriented economic and social scientists to design and implement the policies and programs that will meet the development needs of third world countries will be insufficient without:

- a) A corresponding and meaningful decentralization and dispersal of political and administrative power to province and lower levels of government, as well as to the economists and social scientists at the central level;
- b) Universities free from government interference where academia can undertake original research and analysis of all aspects of social, political and economic development; and,
- c) The development of pressure groups and political institutions outside of the government that can hold it accountable.

Unfortunately, such socio-political change in the vast majority of third world states is unlikely. Currently, independent organizations, such as cooperatives, unions, free press or farmers' organizations to promote the interests of the rural poor are most often simply not permitted or are easily manipulated, bribed or coerced where they do exist. Nor do the rural villagers have any other meaningful opportunity to identify and prioritize their own development needs and obtain support from higher authority therefor. Attempts to protest injustices, for example, will put them in jail or cost their jobs if they have any. Organizations at the village level (such as cooperatives and other non-governmental organizations) to the degree that they exist at all, usually are closely supervised and controlled by or dependent on government agencies and largesse.

In recognition of these weaknesses, A.I.D. in 1987 decided to try to encourage increased participation in the development process by moving forward on a strategy for cooperative development. Development of cooperatives is an essential part of any nation's effort to ensure mobilization of the human talent throughout the society. A key underlying assumption is the extent to which a government really wants to mobilize or permit the self mobilization of human resources at all levels in society. Often this assumption is not viable, particularly when mobilization might best occur outside of government control.

The A.I.D. strategy statement did not directly address this political factor among its list of necessary conditions. It spoke only of the

"policy climate." Yet policies often cannot become operative in a given political context even if they are favorable on paper. Thus, it is necessary that the political culture, process and the existing or emerging political structure also be conducive to the development of new centers of power.

Cooperatives should be independent, dynamic proponents of their principles and members' interests. To be effective they must have both the capacity and opportunity within the political system to help create the kind of policy climate most helpful to achievement of their economic objectives. Unfortunately, too often we concentrate on the economic objectives and activities of cooperatives without considering the political dimensions.

## 6. Political Instability

The kinds of political changes described thus far strike at the very heart of the centralized bureaucratic and political processes in developing countries where development is supposed to come from the top down. Such development is generally accepted even by the poor themselves as the way it should be. They have never known any other way. Tradition dies hard.

There is great risk, obviously, in teaching and encouraging people to organize themselves to undertake efforts on their own behalf. These new organizations might well become overzealous in their demands on a political-administrative process that lacks either the capacity or the will to respond as expected by the new organizations. It is this fear of instability that inspires so many developing countries and their foreign donors (as Soedjatmoko observes with criticism today) to try to design and control social and economic development from the top down. Too many developing countries try to preserve political stability by isolating the political element (for example, by forbidding students to participate in politics) and by keeping all political power and authority in the central or provincial government's hands.

The irony is that increasing political instability is inevitable whenever the political process denies the people opportunities and institutions (such as elections, pressure groups, or cooperatives) to channel their increasing need for political participation in the development process. This participation is probably the only effective means for ensuring the prevention or mediation of the socio-economic squeeze put on the rural poor by capital-infrastructure-oriented economic development projects. Such projects, for example, as roads often make it easier for the wealthy or traders to reach and exploit the unsophisticated villagers.

A "basic needs" approach to social and economic development would have to include considerable transfer of assets and power to rural people. This includes the creation, through education, of opportunities for the rural poor to develop the capacity to effectively and responsibly use any transferred assets and power to their own advantage. In other words, the

concepts of "participation" and "organization" of the rural poor must become meaningful not in the "word" of the presidential instructions or the national development plans or policies but in the "deeds" carried out by the people at the bottom of the social-political structures in most third world states.

## 7. Human Resources Mobilization

The capacity of a state to mobilize human resources is primarily a socio-political policy and process problem, though ultimately it is the nature and structure of the economy that will determine how broadly and effectively people can be employed by others or themselves. Our failure in the past to fully understand and achieve this linkage has been a major reason foreign assistance has so often failed to obtain and then sustain its economic development goals.

Generally speaking, we measure a country's economic development and growth in GDP terms. For example, in the 1988 Congressional Presentation on the assistance program for Egypt we noted that Egypt's gross domestic product grew at an average annual rate of about 8% between 1975 and 1982, compared to 2.5% annually between 1967-1974. Since 1983 the GDP rate has been about 4% or less. The slower growth was attributed to lower rates of expansion in key sectors such as petroleum, construction, trade and transactions.

It is easier, of course, to measure rates of expansion in these sectors than creation of the capacity to effectively mobilize and utilize (or permit to be mobilized and utilized) human resources. And yet the critical variable in sustainable development throughout the world, and most especially in the so-called third world, is people. It is not money from outside, oil or other natural resources. To be self-sustaining, economic development requires a competent, imaginative, risk oriented human resource base. This human resource base must be able to change with challenges and to seize opportunities that arise, often unexpectedly out of both failure and success.

The political process, including its structure and the scope of individual freedom it permits, will determine the capacity of the human resource base available to support and sustain economic and social development. Because it is the political process that creates and sustains economic and social policies, in a very direct sense, it is the political process that sets the parameters for development of the human resource base that any economic system must rely on.

Again, recent developments in China and the Soviet Union confirm the intimate relationship between the political process and economic development that requires the broadest possible human resource development. Echoing the Goldman view, a recent commentary by Liu Bin Yan, formerly a reporter for the People's Daily in Beijing and now a visiting lecturer at UCLA, draws attention to the relationship between Chinese and Soviet reform efforts. Liu suggests that Gorbachev's political reforms were inspired by China's economic reforms, but now the Chinese are hoping the Soviet political reforms will work so that the

Chinese political leadership will make the reforms necessary to promote further economic development. First, Liu observes, "I argued in a speech in China in 1984 that the cover-up of issues in Chinese political and social life drives the people from the Communist Party and increases their indifference. I said: Our level of democracy will be determined by our degree of openness; because democracy, to a large extent, is the right to choose. My term "openness" was meant in quite the same sense as the glasnost advocated by Mr. Gorbachev in 1985. Yet China still has no glasnost."<sup>7</sup>

And then Liu addresses the linkage between political reform and economic growth:

"While Mao's influence still grips many in the political elite, the experience of the Cultural Revolution has cured many Chinese citizens of the superstitious belief in personal authority and freed them from political dogmatism. The Chinese people today cannot possibly be as blindly obedient and docile as they were. They have learned to think for themselves.

This energy, newly unleashed by free market measures, has made economic reforms in China a partial success. Tens of millions of Chinese have escaped economic relationships of dependency to make charge of their own lives and to pursue their own economic interests. Yet the success is limited by the old, immutable political system, which has not kept pace with the demand for reform. The huge and ever-expanding bureaucracy continues to threaten individual interests. Tens of millions of Chinese are still without adequate food and warmth, and severe inflation is causing nearly everyone's standard of living to fall. These facts stand in sharp contrast to the extravagant luxuries enjoyed by those who retain power and privilege. All these conditions contribute to a tremendous thirst for change. This great popular yearning is a key reason why economic reformers have had more success than their Soviet counterparts. Now they hope that Mr. Gorbachev is as successful in the political realm as they have been in the economic. That could give the push they need to bring political reform to China."<sup>8</sup>

Ironically, the recent Soviet Party Conference held in Moscow the last week in June 1988 provided yet another example of the long suppressed reality of the prerequisite nature of the political process in economic reform programs. There have been many commentaries on the near spectacular nature of the political restructuring proposed by Gorbachev during the Party Conference. One of the most perceptive was that offered by Dr. Robert Legvold of Columbia University on "Nightline" (ABC) on 1 July 1988. Legvold told Ted Koppel:

"Now Gorbachev understands that political reform is the prerequisite for his economic reform program. He began his economic reforms over a year ago but it became clear these reforms could not happen without political reform ... The political reform will affect the party apparatus ... He wants to get the lowest levels to have impact on the party...."<sup>9</sup>

On the same program, a Soviet emigre, Mr. Koslovski nevertheless suggested that Gorbachev still expects the Party to continue its leading role. "There is a little opening, but democracy in the Soviet Union will come from the top down. It is still a one party system. There are no guarantees of rights we take for granted."

In summary, and recognizing that the wealth of a nation resides more in its people than any other resource, the highest levels and rates of economic development would appear most likely to occur within a political context where at least the following four conditions exist or are clearly developing:

- + The education process provides quality basic knowledge and learning skills and free inquiry and research beginning in elementary school and culminating in universities that are unfettered by intervention and control from police, military or other government institutions and leaders;
- + Business enterprise (creative capital and labor) can support and encourage change in the political process and its policies when such change is necessary to create conditions for continual productive, innovative investment and growth by individuals and groups or business organizations. Support and pressure for change should be possible through political parties, interest groups, labor organizations and opportunity for direct lobbying on the formal government structure through these instruments and others;
- Individuals are secure in their effort to identify their personal needs and objectives, improve and expand their knowledge, talents and skills without coercion and direction by any organization be it governmental, religious, educational or economic in nature and purpose. On the contrary, the corollary is that these organizations themselves create opportunities for innovative individuals and then facilitate their efforts for productive self growth and the production of ideas, goods and services; and,
- The legal system and process is capable of and effective at defining and enforcing respect for rights and the fair production of property and wealth independent from government control or coercion. In other words, the laws and courts can create and enforce rules of the game fair to all economic enterprises and individuals. Corruption can be identified and wherever necessary effective sanctions applied to ensure free, fair economic competition and growth.

The political process is the final arbiter for these four especially essential elements in the development and sustenance of a productive human resource base.

Given evidence such as that quoted above identifying the increasingly obvious linkage between political and economic development, including the

prerequisite nature of the political changes in the linkage, it seems incongruous that there should be so little candid dialogue between the donors and recipients of foreign assistance on these issues. If foreign assistance is to contribute meaningfully and measurably to the development of self-sustaining economic and political systems and processes, this gap in communication cannot continue. Nor does it seem useful to continue to design economic and social development projects without explicit reference to the nature and scope of obstacles that may be created by the existing political context. If we are ever to achieve self-sustaining capacities through the use of foreign assistance, we must address the political context as a root cause of underdevelopment across the broad spectrum of development sectors.

## II. The Implications for Overall U.S. Foreign Assistance Purposes and The Agency for International Development

### A. Purposes

It seems increasingly imperative that AID and other donors must develop the program capacity and analytical techniques to identify and delineate how different elements in a state's political process interact with the structures and processes of the education, business/labor and legal systems and the individual's role therewith. The critical variable that we have missed in our focus on development infrastructure, including even technically trained people with our project aid, is how the national political, social and economic culture is actually able to catalyze its own human resource base or, more likely, why it doesn't effectively catalyze and manage its human resource base. And once this knowledge is at hand, we must assess whether and how foreign assistance can effectively support or, if necessary, contribute to change of the political context within which human resource development must occur.

It may be that a state whose social-political system and process cannot mobilize its own human resources, most likely cannot and will not effectively use the financial and human resources expected or, indeed, even demanded from other donor nations. Ignoring this basic truth and pretending that somehow a given country's pitiful economic and social condition is caused by outside forces, only ensures, as Myrdal and P.T.Bauer suggest, the continued expansion of international state to state welfare disguised as "development assistance".

A key initial element, therefore, in our foreign assistance efforts must be to encourage cooperative efforts with developing countries to study the linkages between political and economic development in country specific terms, and to determine how these can and do predetermine the rate and scope of economic growth and improved material well-being of the people. For example, we should be more explicit in discussing the status of human resource mobilization as it may adversely (or positively) affect: (a) economic and political development in any country; (b) implementation of effective assistance projects; and, (c) the linking of selected project activities to the ultimate resolution of this problem.

Given this type of understanding, we will be better able to develop assistance programs that are compatible with the varying political/economic structures and processes in differing countries. We may even be able to initiate some change in these structures that will enhance their responsiveness.

The previous discussion of how the political context in developing countries can affect the development process provides compelling reasons for establishing more relevant purposes and criteria for foreign assistance. How would a clear understanding of a country's political process affect A.I.D.'s capacity to provide relevant, effective assistance? As noted above, certain economic policy reforms/programs (such as privatization, exchange rate reform or reduction of subsidies to public sector companies) often strike directly at the power base of the government leadership. Thus, the viability of reforms in these areas depends on the willingness of the government leadership to accept restructuring of the political base and the attendant changes in the political process.

Sensitivity on AID's part to such consequences could facilitate sympathetic but also candid and frank discussion, that might lead to design and implementation of assistance modes that will cushion the impact of losses due to changes in the political process, or alternatively, to take advantage of new opportunities created by such change. It is also possible that different development assistance approaches would be required that could still have impact even within the constraints created by an existing political process. Optimally, such assistance might help prepare the ground for more fundamental change later. In either case, A.I.D. would need to be able to work on a series of programs, perhaps with parallel efforts, over an extended time frame. Is the U.S. through A.I.D. prepared to commit to long term political/economic assistance efforts?

If we are to make such commitments, it is essential that we obtain greater precision in our foreign assistance purposes and approaches. Obtaining such precision, however, will also require recognition of how another political context in the donor country affects the capacity of foreign assistance to catalyze and support the development process. This paper cannot fully address this other political context. But it must draw attention to the fact that the external political factors created by Congressional and U.S. business special interests and other U.S. political objectives can affect A.I.D.'s capacity to address root causes of underdevelopment, including those other than the host country's internal political context.

Any serious effort to insure that development assistance (whether ESF or DA) contributes directly to development objectives must address the constraints that are created when U.S. special interests force expenditure of scarce resources on projects or establish limiting conditions that serve these U.S. special interests more than they address real development constraints in developing countries. What are the appropriate foreign assistance priorities? Are they attacking the root

causes of underdevelopment by catalyzing change and creating new self-sustaining capacities in the economies of developing countries that might compete with U.S. businesses? Are they simply subsidizing the near term export of U.S. goods and services with U.S. foreign assistance resources? Are foreign assistance resources only available to serve short term strategic political objectives? Are foreign assistance resources supposed to stimulate change or merely relieve third world governments of the burden of change?

Ultimately, the answers to these questions and our subsequent operational behavior will determine whether our foreign assistance continues to have more impact as state to state welfare than as a catalytic agent for attacking the root causes of underdevelopment.

Our consideration of purposes must also recognize the potential limitations of our financial resources and the capacity in terms of the character, commitment and skills of the people who deliver our assistance. We simply cannot meet the needs and demands of all (or even a majority of) the third world countries. Adjusting our priorities and criteria for providing assistance requires more flexibility to effectively match different types of policies and assistance programs to different needs and opportunities in selected third world countries. Some countries should get more assistance, some less, some nothing--and sometimes there must be shifts between all of these positions.

For example, we may provide more assistance to states that are making progress toward more open and free societies. But we do not necessarily cut off all assistance to countries that may not meet all of our most ideal criteria in this goal area. Instead, whatever we provide would be limited according to the opportunity for specific impact at least in creating self-sustaining capacity to directly meet certain needs of the poor in those countries.

We must view foreign assistance as an investment. In this vein, our "risk analyses" should carefully and candidly consider the existing political, economic and social conditions that will affect the use and impact of that assistance in any given country. Profit must be defined in terms of how well specific program purposes are achieved and made self-sustaining. Thus, we may decide to provide development oriented assistance only where there is clear evidence that we and the host government can develop common perceptions of and commitment to specific program or project purposes. This requires considerable empathy and patience. How clearly have our hosts first identified their purposes? Can we support them for their purposes? How candidly have we discussed policy or political and institutional obstacles or differences that need to be resolved before "investment" can be effective? The basic, underlying assumption for such an approach in foreign assistance programs is that if we help our third world friends achieve their social and economic development objectives, their contribution to our political objectives will follow as a matter of course almost in direct proportion to their perception of us as a creative ally.

It is impossible in this paper to delineate the various specific purposes in political and economic terms for different countries or regions. However, if we are to successfully serve any of our political or economic assistance purposes it is imperative that we establish a fundamental objective for our assistance that can be a reference point for all other more country specific purposes. Such an objective might be stated as:

To help create or expand self-sustaining government and private institutions and organizations with the capacity to determine and effectively respond to the basic economic, social and political needs of the people. These institutions and organizations must be able to design, implement and evaluate specific programs and projects that will result in expanding agricultural and industrial productivity, expanding educational opportunities, expanding basic health services and, finally, but no less important, expanding opportunities for public participation in the political process.

As the discussion in Part I demonstrates, a key underlying assumption is that creating or expanding a given country's capacity for designing and implementing self sustaining social and economic development programs ultimately will depend upon the existence and continued development of political institutions and organizations that fully integrate the people into the national polity. Obtaining a shared understanding of and commitment to this assumption between ourselves and developing countries often will be very difficult. Nevertheless, political integration and participation must be viewed as equally important as economic development; neither can be truly self sustaining without the other.

Our operative definition of political integration might be that provided by Lucien Pye as:

...the extent to which the entire polity is organized as a system of interaction relationships, first among the offices and agencies of government, and then among various groups and interests seeking to make demands upon the system, and finally in the relationships between officials and articulating citizens.<sup>10</sup>

This definition does not necessarily commit us to a particular type of political system or ideology, though experience tends to favor more rather than less political democracy. There are, obviously, many different variations in political systems and processes depending on differing cultures and their value orientations. Thus, at the outset we recognize that in differing conditions and cultures, authoritarian, single party or representative multiparty political processes may be or become equally responsive and effective. The key element, however, must be exchange between people both within and outside of government through truly interacting relationships.

## B. A.I.D.'s Advanced Developing Country Strategy

A.I.D. is developing a potential new dimension for its overall approach to development assistance. Currently, we are in the conceptualization stage for a strategy to establish different linkages with advanced developing countries or those in transition. While by definition, such countries already will have been successfully addressing many of the political considerations discussed earlier in this paper, A.I.D. will still have to be sensitive to how its new ADC strategy is implemented in each case. Of particular importance, for example, is the institutional development focus that will be the core of an ADC strategy.

Strengthening institutions can change political balances. It is precisely those institutions that are expected to manage the economic development and growth process (including the resources therefor) and the policy framework that are most affected by the political context. Thus, in a sense the ADC strategy can be even more of a challenge to an existing political structure and process than a regular AID program.

Those affected as individuals or rival institutions will either cooperate or find ways to obstruct or redirect such "strengthening efforts" if they directly and adversely affect the political equation in a given country. Awareness of the possible political impact both (positive and negative) on a country will enhance prospects for success by:

- avoiding direct adverse impact on potential adversaries;
- ensuring that strengthened institutions and their linkages with US institutions are not so used or obstructed for internal political purposes that their organizational objectives cannot be achieved. (The Luso-American Development Foundation's experience might be an example for further review.)

## C. Criteria for DA and ESF Assistance Resources

The considerations discussed in the previous sections provide the conceptual framework from which we can develop:

- more country and region specific foreign policy and assistance program purposes and criteria;
- the operational personnel and administrative structure that will deliver the assistance; and,
- the means and criteria for measuring success or failure in achieving program purposes and understanding their relationship to achievement of our own more narrowly defined national interests.

The criteria we use to establish priorities and "target" countries may also vary according to region but certainly at least the following somewhat interrelated criteria will apply.

For DA:

(1) Commitment of a developing country to reflect on its own role and responsibilities for ensuring a receptive climate and conditions that will enable foreign assistance (where necessary) to be effective, i.e., willingness to study and if necessary to change domestic policies, people and procedures that obstruct the development process;

(2) Degree to which we and the target country share or can develop common political and economic development purposes and interests and commitment thereto;

(3) Commitment to gradual but measureable achievement of more open, responsive government. In this regard the nature of commitment and progress toward greater freedom of speech, organization and basic human rights as defined in the UN Declaration of Human Rights; and,

(4) The degree to which a country is committed to creation of an environment that actively encourages development of the four key elements that most directly affect human resource development and mobilization, to wit:

- An education system that pursues knowledge unfettered by government inspired limitations;
- Unlimited opportunity for the creative capital of both business and labor to affect the policies that most allow them to grow and increase their productivity;
- Freedom for individuals to identify and pursue their own personal growth goals; and,
- A legal system that can ensure equal treatment and opportunity for all organization and individuals in a society.

For ESF, in addition to the above three criteria, with more weight given to political objectives, the following four criteria should apply:

(1) Political position/influence of a given country in the "third world" or the region involved (linkages with other states);

(2) Capacity and will of a country to perceive and to reject all forms of communist adventurism (political, propaganda or military);

(3) Geographic location and its strategic implications;

(4) Historical relationships to U.S.

E. Personnel, Programming and Evaluation Considerations

1. Personnel

The quality and commitment of the people who design, deliver and help implement programs and projects are critical variables in any effective foreign assistance program. This is easily recognized. It is less easily applied and adhered to. We need to enhance our understanding of and commitment to application of the following considerations:

- (a) Language facility and knowledge of cultural norms and values must be reestablished as top priorities. We must enhance our capacity and commitment to use the host country language in working out programs with host country officials;
- (b) We need far greater discipline in developing our capacity and willingness to try to understand the administrative structure and processes of host governments. Thus, we must require careful study of political and administrative processes in terms of their capacity to eventually provide self-sustaining support for certain types of development projects, programs and economic policies;
- (c) We need to better understand power bases and relationships within and between ministries;
- (d) Wherever possible, project officers should work at ministries, not in isolated AID HQ or behind Embassy gates; and,
- (e) Personnel should remain a minimum of 2 tours with 3 tours automatic for those requesting them.

2. Programming Criteria

Whatever the exact nature of the components or sectoral foci of the programs we eventually decide upon in a given country, we should keep fundamental criteria such as the following in mind:

- (a) We contribute resources for programs or projects in ways that will directly create increased capacity to sustain that particular program on its own without continual infusions of additional outside foreign assistance funds;
- (b) The project's objectives and purposes are limited enough in nature and scope that they are achievable and sustainable within the current overall socio-economic policy environment. This recognizes that some difficult change initially may have to be incremental. Immediate success will not depend on fundamental large scale policy reform, but the success and impact would be enhanced by further policy and structural reform; and

- (c) Provide resources in direct relationship to the capacity of the program or project's institutional and manpower capacity to absorb the resources and create additional capacity therefrom. Absorptive capacity is fundamental.

### 3. Evaluation

The role of evaluation in development and implementation of our foreign assistance programs and projects has never been applied or received the sustained attention it requires. It has seldom obtained full commitment to excellence and integrity from field or AID/W leadership. The following steps should receive careful consideration:

- (a) Establish a separate evaluation office in each mission with more autonomy to ensure the role of project evaluation as a design as well as management tool.

- (b) Require close cooperation with host country in evaluating all projects; get the host government to name evaluation counterparts.

- (c) Assign evaluation officers who are language proficient.

- (d) Undertake special programs for project officers re the purposes and advantages of evaluation for effective project management;

- (e) Conduct joint evaluations of a country's social and political processes as they do or can affect different approaches to development and utilization of foreign assistance therefor, including:

- Policies
- People (quality, training, experience)
- Attitudes
- Political power balances and rivalries
- Resource allocation

- (f) Encourage joint seminars on development issues in each country in order to obtain common understanding of the nature of problems and obstacles in the development process and effective evaluation thereof.

### Conclusion

Early in this paper, development was defined as a commitment to the maximization of the potential of the society regardless of any limits currently set by the goals or fundamental structure of the society. Foreign assistance that will effectively help developing countries to address and eliminate the root causes of underdevelopment requires no less a commitment to change. Are we prepared to commit to the maximization of the potential of foreign assistance as a catalytic change agent regardless of any limits currently set by narrowly defined short

term US political interests or the potential competitive challenges to special short term U.S. commercial interests? Are we able to strike appropriate balances in our interests and accept certain short term sacrifices ourselves? Successful foreign assistance, as we already see in our relations with many of our "developed" country competitors may mean less economic prominence for the U.S. Can we, nevertheless, view such change as success for America rather than a decline in our power or our civilization? Is it not possible that more effective utilization of foreign aid to directly increase the economic self-sufficiency of today's underdeveloped societies will also actually further enhance our own welfare? Without positive answers to questions such as these, I do not believe it is possible to respond positively to Senator Helms' question. Nor could we restore hope for Gunnar Myrdal.

In the past we have defended our foreign assistance programs, including their purported development objectives, primarily on political grounds that are directed toward our competition with the Soviets. We have always been oriented toward establishing effective limits to the spread of Soviet political/military power and influence in the world. Even if this is an appropriate objective, it must be achieved on a different basis and as a result of achieving other economic and social development objectives within the developing countries.

I believe it is imperative that a majority of the world's nation states should come to believe in and experience the United States as a creative force in the world. It is not enough for us to be against the spread of Soviet power and influence and adventurism; what are we for? Can we define creative purposes and goals? Can others identify with our purposes; and we with theirs?

There are several ways in which the United States can reestablish a creative "presence" in strategic, geographical and political terms. Probably the most important means is reestablishment of an unquestioned commitment to creative and dynamic foreign policies and programs that reflect clear, concise and empathetic understanding of the primary interests of the vast majority of third world states. Very high in the hierarchy of these interests, no matter what a given state's political orientation, is the development of self-sustaining social-economic systems and political processes. Those nations that can effectively help developing countries achieve such objectives and capacities will obtain a creative political "presence" in the third world.

Thus, as we look at the future of foreign assistance, we need a clearer perspective on the relationship of efforts to improve our political and security posture in the world to other, creative foreign economic and social assistance policies and programs. We need to remember that a strong U.S. political and economic position alone contributes only indirectly toward achievement of the most basic economic and social needs and interests of the peoples or governments in the third world. Ironically, for example, truly effective foreign assistance that enables these countries to establish effective rural health systems or primary education and agriculture extension services (all of which, in turn, are prerequisite to development of increased, self-sustaining agricultural

production), can actually enhance our own power. We are not diminished as a consequence of their development. Indeed, we are enhanced as a people whenever we apply creative empathy that results in active and effective social-economic assistance programs for the growth of self-sustaining and just economic, social and political systems.

Footnotes:

1. This quotation was provided in an unclassified cable from the U.S. Embassy in Stockholm which reported on this speech. (September, 1981)
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