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U.S. Foreign Aid

An Assessment of New and Traditional Development Strategies

Elliott R. Morss
Victoria A. Morss

A Westview Replica Edition

U.S. Foreign Aid

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About the Book and Authors

U.S. Foreign Aid: An Assessment of New and Traditional Development Strategies

Elliott R. Morss
Victoria A. Morss

This book provides a critical assessment of the relationship between development philosophy and the activities of various economic assistance programs during recent decades. The authors begin by describing the evolution of development thinking from the Marshall Plan era to the present, emphasizing the changing magnitude, focus, and objectives of such institutions as the U.S. Agency for International Development and the World Bank. In examining the goals of these institutions and those of various Third World governments, they emphasize that the principle actors involved have markedly different agendas and that, consequently, one cannot expect development decisions to be made always--or even often--on the basis of what is best for the intended beneficiaries. The authors evaluate specific aid programs undertaken in the past 20 years, pointing to the strengths and weaknesses of various approaches, and conclude by recommending strategies and institutional changes necessary for the success of future development efforts.

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Contents

List of Tables ix
Preface. xi
Acknowledgments. xiii

1 MAGNITUDES AND FORMS OF DEVELOPMENT ACTIVITIES IN THIRD WORLD NATIONS. 1

Resources for Development 1
External Financial Flows. 2
Multilateral Agencies 7
Domestic Savings. 9
Military Expenditures 11
U.S. Foreign Aid. 12

2 THE EVOLUTION OF DEVELOPMENT IDEAS AND INSTITUTIONS. 19

Aid to Developing Nations 20
The Political Initiative. 21
The Economic Initiative 22
"New Directions". 24
What is the "New Directions" Development Strategy? 28
Implementation of "New Directions" Objectives . . . 31
Incrementalist Development Approaches 32
Traditional Development Approaches. 37
Conclusion. 38

3 AN APPRAISAL OF TRADITIONAL DEVELOPMENT STRATEGIES. 47

Indicators of Progress. 47
Analysis of the Empirical Evidence. 51
Economic Growth 51
Asset Distribution and Income Inequality. 52
Conclusion. 56

4 DIFFERING AGENDAS 59

Agendas of Developing Nations 59
Macro Political/Economic Agendas. 59

Political Strategies. 62
Agendas of Donor Nations. 63
Exporting Development Goals and Strategies. . . . 65
The Conflict over Domestic Economic Policies. . . 66
Internal Governmental and Bureaucratic Dynamics . . 67
Governments of Developing Nations 67
Within Donor Agencies 70
Contractors 71
Incentives for Individuals. 71
Conclusion. 72

5 THE DETERMINATION OF U.S. FOREIGN AID POLICIES. . . 75

The Executive Branch. 75
Congress. 77
Humanitarian/Moral Responsibility 79
The National Interest 80
Single Strategy Advocates 80
The Fence Sitters 81
New Approaches. 81
The Opponents 82
Agency for International Development. 83
Delays in Decisionmaking. 83
Effective Evaluation. 84
The Incentive System. 84
Personnel 85
Conclusion. 85

6 FOREIGN ASSISTANCE: LOOKING INTO THE FUTURE 91

The Years Since 1975 -- An Assessment 91
The Search for Implementation Strategies. 92
Research. 93
Private Voluntary Organizations (PVOs). 94
Beyond the Traditional Versus
"New Directions" Distinctions 95
The Size of the Project Portfolio 100
New Forces. 101
Changing Production and Marketing
Patterns for Heavy Industry 101
The Communications Revolution 102
U.S. Foreign Assistance: Looking Ahead 103
Mistaken Solutions to Development Problems. . . .103
Disregard for Implementation Problems 104
Project Excesses. 104
What We Would Like to See Happen. 104
A Final Note: Development for What?. 105

APPENDIX A: INTRODUCTION TO WORKSHOPS ON THE
ASSESSMENT OF ALTERNATIVE DEVELOPMENT APPROACHES. .109

INDEX 115

Tables

1.1 Estimate of Resources for Development in Developing Countries, 1980 1
1.2 Financial Flows to Developing Countries, 1980. 2
1.3 Comparison of Various Financial Resources Available to Developing Countries, 1970-1976 3
1.4 DAC Official Development Assistance, 1960-1980 5
1.5 Distribution of DAC Bilateral Official Development Assistance, 1970-1978 6
1.6 Net Official Development Assistance from Main Donor Groups, 1975-1980. 7
1.7 Disbursements of Multilateral and Bilateral Agencies, 1974-1980 8
1.8 Composition of Multilateral Disbursements, 1970-1980 10
1.9 Growth Rate of Military Expenditures, 1955-1975 11
1.10 Comparison of World Military Expenditures and Foreign Economic Aid. 12
1.11 U.S. Economic Assistance Program Administered by AID, 1962-1979. 13
1.12 U.S. Economic and Military Assistance 15
3.3 Summary of Indicators of Development Progress, 1950-1970 50
3.2 Countries with the Most Rapid Growth in GNP per Capita, 1950-1975 55
3.3 High Growth Countries Ranked by Income Inequaltiy 55

Preface

Development is a speculative undertaking to solve universal problems of poverty and ignorance. Innumerable methods, techniques, and approaches have been proposed and tried by well-meaning development technicians, politicians, and civil servants to reduce inequality among the peoples and nations of the world and to provide for a better existence. The primary purpose of this book is to provide a critical assessment of the evolution of development thought and practice and to portray the actors and characterize the motivations of those who play the "development game." It is not an easy game to play: the rules are intricate, ambiguous, and frequently change; the aims and objectives are puzzling and may vary depending on the actors and the setting. The game is played throughout the Third World by actors with obscure and hidden agendas and vested, often conflicting, interests in the results. The spectators are the public in the world at large and the patrons are an enigmatic coalition from the rich nations of the world. A student of development might join the game with the intention of reducing the muddle and instilling some insights. But when he begins to play he will encounter differing agendas among the players, an unwillingness to reflect, and a conviction in the righteousness of their performance. Politicians

> have written into their banners such things as the battle against poverty. The more daring ones may add disease and ignorance for good measure, the more sophisticated may demand that the needs of underprivileged people be met. Tired bureaucrats, having tried this, that and the other, will wrap up a number of worries into one big headache and clamour for integrated rural development. Well-intended activists will demand priority for the poorest. Yet others, realizing a need to shift gear and to leave trodden paths, will insist on nothing

less than a new world order to tackle development afresh.[1]

It is hoped this book will help clarify the "game" as it has and should be played. The first chapter sets the scene by presenting a brief description of the sources, magnitudes and forms of financial resources available for development in Third World nations. The next chapter traces the history of development ideas, both objectives and the evolution and methods, since the introduction of the Marshall Plan. This is followed by a chapter that assesses the effectiveness of development efforts for the twenty-five years ending in the mid-seventies. The next chapter depicts the differing agendas of the major actors in the development game; it is followed by a case study of the development and application of U.S. foreign assistance. The last chapter offers an assessment of contemporary development efforts, along with some predictions and recommendations concerning the sources and forms of future development assistance.

NOTES

1. C.A.O. Van Nieuwenhuijze, "Balance Carried Forward: A review of twenty-five years of development studies at the Institute of Social Studies," in Development of Societies: The Next Twenty-five Years (The Hague: Martinus Nijhoff, 1979), p. 64.

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Nieuwenhuijze, C.A.O. Van. "Balanced Carried Forward: A review of twenty-five years of development studies at the Institute of Social Studies." In Development of Societies: The Next Twenty-five Years. The Hague: Martinus Nijhoff, 1979.

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1
Magnitudes and Forms of Development Activities in Third World Countries

This book traces the evolution of development thought; it describes how this thinking influenced and was influenced by some of the major actors in the development game. The focus is on publicly sponsored development efforts. Initially, however, the overall magnitudes and forms of development enterprises in Third World nations will be described briefly.

RESOURCES FOR DEVELOPMENT

Resources for country development include domestic savings, foreign private capital, and foreign public assistance. In most development literature, far more attention is given to public assistance -- the so-called official development assistance (ODA) provided by bilateral and multilateral donors in the form of grants and loans -- than its importance warrants. Indeed, as Table

Table 1.1
Estimate of Resources for Development in Developing Countries, 1980

	$ Billions[a]	Percent of Total
Domestic Savings	301	80
Foreign Private Inflows	46	12
Foreign Public Assistance	29	8
Total	376	100

Source: Derived from material presented later in this chapter.

[a]All tables are in U.S. dollars.

1.1 indicates, public assistance ranks last behind both domestic savings and foreign investment.

External Financial Flows

In 1980, the World Bank estimated that the total net inflow of capital, both public and private, amounted to $74.6 billion. Contrary to popular opinion, most external capital provided to developing countries comes from private sources. Table 1.2 shows the financial flows to developing countries in 1980. Of the total amount of money made available to developing nations, 61 percent or $45.6 billion consisted of private monies of which $35.6 billion were in loans and $10 billion were in direct investments, while only 39 percent or $29 billion were in the form of public assistance. Most of the public assistance ($20.7 billion) consisted of concessionary loans and grants of which $9.1 billion were provided in bilateral grants, $8.5 billion in bilateral loans, and $3.1 billion in multilateral loans. An additional $8.3 billion of public assistance funds were made available at commercial rates, $5 billion from multilaterals and $3.3 billion from bilateral institutions.[1] The importance of private investments relative to foreign assistance appears to be increasing. Private commercial bank loans, for example, increased from around $4 billion in 1970 to $36.1 billion in 1980, causing an augmentation of the outstanding debt of developing countries from $32 billion in 1970 to $284 billion in 1980. These loans went almost

Table 1.2
Financial Flows to Developing Countries, 1980

Source of Funds		$ Billions	Percent of Total
Private Investment		45.6	61
of which:	loans	35.6	47
	direct investment	10.0	13
Public Assistance		29.0	39
of which:	Concessional	20.7	28
	bilateral grants	9.1	12
	bilateral loans	8.5	11
	multilateral loans	3.1	4
	Commercial Rates	8.3	11
	bilateral loans	3.3	4
	multilateral loans	5.0	7

Source: The World Bank, World Development Report, 1980 (New York: Oxford University Press, 1980), p. 9, Figure 2.5.

Table 1.3
Comparison of Various Financial Resources
Available to Developing Countries, 1970-1976[a] ($ millions)

	1970	1971	1972	1973	1974	1975	1976
Official Development Assistance	6,791	7,691	8,538	9,351	11,304	13,585	13,656
Other Official Flows	1,139	1,261	1,546	2,463	2,183	3,024	3,305
Private Flows	6,875	7,982	8,573	11,450	13,312	22,428	22,186
Direct Investment	3,543	3,632	4,474	6,711	7,084	10,494	7,593
Bilateral Portfolio	716	732	1,984	3,286	3,816	5,239	6,072
Multilateral Portfolio	474	771	667	257	-69	2,553	3,097
Export Credits	2,142	2,847	1,448	1,196	2,481	4,142	5,424
Grants by Private Voluntary Agencies	858	913	1,036	1,364	1,217	1,342	1,358
Total Net Flow	15,662	17,847	19,693	24,628	28,016	40,378	40,505

Source: K. Billerbeck and Y. Yasuçi, Private Direct Foreign Investment in Developing Countries, World Bank Staff Working Paper No. 348 (Washington, D.C., 1979), Table SI.1.

[a]As is the case with much of the data cited in this book, private investment statistics are incomplete and not strictly comparable from one country to another or with other types of financial information. The table illustrates the general trends in investments using the best available data.

completely to middle-level countries as has been the case in the past.[2] Table 1.3 shows the increasing share of private investment in developing nations in comparison to other financial transfers. Despite this trend, little attention has been given to the changes in investment patterns that has brought this about, either by commercial lending institutions or by development banks and bilateral agencies, nor have efforts been made to ascertain the effectiveness and appropriateness of private investments or to coordinate public and private investments.

Nations providing economic assistance are commonly lumped into three groups: member governments of the Development Assistance Committee (DAC),* the Organization of Petroleum Exporting Countries (OPEC),** and the Centrally Planned Economies (CPE)***. Historically, the DAC group has provided from three-quarters to half of the total concessionary funds available to developing nations, and the United States has been the largest single contributor. In 1980, the official development assistance provided by DAC countries amounted to $26.6 billion. (Table 1.4 shows the level of assistance by DAC donors from 1969 to 1980.) The real level of assistance from 1965 to 1979 has been increasing at an average of just over 1.5 percent annually. However, with the exception of Denmark, Norway, Sweden, and the Netherlands, which reached the group's objective of providing 0.7 percent of GNP in foreign aid, the remaining DAC members' level of assistance remained about the same or declined in terms of the proportion of GNP.[3]

Although the focus of a large number of donor nations in recent years has been to assist the poorest countries, the percentage of aid to low-income countries**** has actually declined throughout the 1970s. In

---

*The Development Assistance Committee is made up of these nations: Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the Commission of European Economic Communities.

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

***The Centrally Planned Economies include Russia, China, and Eastern Europe. Minus China, this group is sometimes referred to as the "nonmarket industrial economies."

****For purposes of analysis developing nations are commonly divided into groups. Low-income countries are those with a gross national product (GNP) per person of $360 or less in 1978 and $370 or less in 1979.

Table 1.4
DAC Official Development Assistance, 1960-1980
($ millions)

	1960	1965	1970	1975	1976	1977	1978	1979	1980[a]
Australia	59	119	212	552	377	400	588	620	653
Austria	—	10	11	79	48	108	166	127	174
Belgium	101	102	120	378	340	371	536	631	575
Canada	75	96	337	848	763	945	1,060	1,042	1,035
Denmark	5	13	59	205	214	258	388	448	464
Finland	—	2	7	48	51	49	55	86	106
France	823	752	971	2,093	2,146	2,267	2,705	3,358	4,041
Federal Republic of Germany	223	456	599	1,689	1,592	1,717	2,347	3,350	3,512
Italy	77	60	147	182	226	186	375	279	600
Japan	105	244	458	1,148	1,105	1,424	2,215	2,638	3,300
Netherlands	35	70	196	608	728	908	1,074	1,404	1,577
New Zealand	—	--	14	66	53	52	55	62	63
Norway	5	11	37	184	218	295	355	428	472
Sweden	7	38	117	566	608	779	783	956	928
Switzerland	4	12	30	104	112	119	173	205	246
United Kingdom	407	472	500	910	885	1,120	1,456	2,067	1,766
United States	2,702	4,023	3,153	4,161	4,360	4,682	5,664	4,567	7,091
Total	4,628	6,478	6,967	13,820	13,829	15,680	19,994	22,267	26,603

Source: World Development Report, 1981, Annex, Table 16.

[a]Estimate.

Table 1.5
Distribution of DAC Bilateral Official
Development Assistance, 1970-1978

Country Group	Percentage Shares 1970	1975	1976	1977	1978
Low-income countries	47	44	38	35	38
Middle-income countries	44	46	51	56	52
Unallocated by country	9	10	11	9	10

Source: World Development Report, 1980, p. 30.

1979, only 37 percent of the official development assistance given by DAC and OPEC countries went to low-income countries (excluding China) even though these countries contained 55 percent of the population of developing nations. This amount represented about 14 percent of their investment, about 20 percent of their imports, and worked out to about $6.80 per person. DAC countries gave 38 percent of their aid to low-income countries in 1978 (see Table 1.5); their collective aid to middle-level countries* increased from 44 percent of all DAC assistance in 1970 to 52 percent by 1978, despite rhetoric to the contrary. This reversal occurred largely because the United States, France, Germany, and Japan gave less than half of their aid to low-income nations and their contributions represented a disproportionally large share of the total. Only seven DAC nations gave less than 55 percent of their aid to low-income countries. Moreover, the distribution of DAC bilateral aid favored two middle-income groups of countries. In 1979, Israel and Egypt together received 26 percent of all DAC aid (mostly contributed by the United States), and the French overseas territories received 16 percent of DAC aid (mostly in the form of French technical assistance).[4]

In 1980, DAC countries contributed 75 percent of the total net official development assistance, OPEC contributed 20 percent, and the CPE countries gave 5 percent. Table 1.6 provides an historical overview of the level of economic assistance provided by the three main groups of donors. Official development assistance provided by non-DAC countries in 1978 amounted to $5.9 billion. This sum represents a marked decline from the previous year when it reached $7 billion and was the result of reduced contributions by OPEC. Non-DAC net concessionary contribu-

*Middle-income countries are those with a GNP per person of $360 or more in 1978, and $370 or more in 1979.

Table 1.6
Net Official Development Assistance
from Main Donor Groups, 1975-1980 ($ millions)

	1975	1976	1977	1978	1979	1980
DAC Countries	13,846	13,953	15,733	19,992	22,420	26,776
OPEC Countries	5,516	5,609	5,923	4,611	6,106	6,978
CPE Countries	742	1,062	1,097	1,291	1,761	1,817
Total[a]	20,104	20,624	22,753	25,894	30,287	35,571
Non-DAC aid as Percentage of Total	31	32	31	23	26	25

Source: 1981 Review: Development Cooperation, Table G.1, Table A.3, and Annex 1, Tables 1 & 2; World Bank, World Bank Annual Report 1981 (Washington, D.C., 1981), Table 7.

[a]The total does not include aid from China, India, Israel, Yugoslavia, and other small donors.

tions equalled almost one-third of the total official development assistance between 1975 and 1977; they dropped to less than one-fourth in 1978, when the OPEC contribution declined, and have remained at about one-fourth since.

Economic assistance from non-DAC countries has also heavily favored middle-income countries. If Cuba and Vietnam, which together received 96 percent of all aid from CPE nations, are excluded, aid from these countries represents about .02 percent of the joint GNP of these donors. Similarly, 75 percent of all OPEC aid in 1979 went to two countries: Jordan and Syria. In calculating foreign assistance as a percentage of GNP, OPEC donors have been more generous than the other main donor groups. In 1975, OPEC donors as a whole gave 2.7 percent of their GNP in aid; the major donors -- Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates -- gave between 5 and 15 percent of their GNP. But by 1978, the average had dropped to 1.5 percent of GNP, and in real terms to less than 60 percent of the 1975 level.[5]

Multilateral Agencies

During the decade of the 1970s, the importance of multilateral agencies grew absolutely and relative to total official development assistance. In 1980, total multilateral disbursements had reached $12.6 billion or roughly three times the amount disbursed in 1970. As

Table 1.7
Disbursements of Multilateral and Bilateral Agencies, 1974-1980
($ millions)

Total Net Disbursements	1974	1975	1976	1977	1978	1979	1980
Bilateral and Multilateral	26,542	49,737	50,196	54,586	73,412	80,285	81,511
of which ODA	14,067	18,543	17,890	18,979	22,370	27,045	31,467
ODA as a Percent of Total	53	37	36	35	30	34	39
Multilateral	4,648	6,421	6,599	7,897	9,084	10,355	12,570
of which ODA	2,847	3,835	3,867	4,959	5,999	6,195	7,721
ODA as a Percent of Total	61	60	59	63	66	60	61
Multilateral ODA as Percent of Total ODA	20	21	22	26	27	23	25
Total Multilateral as a Percent of Total Net Disbursements	18	13	13	14	12	13	15

Source: Organisation for Economic Co-operation and Development, Geographic Distribution of Financial Flows to Developing Countries (Paris, 1981), pp. 15, 230-231; Martin M. McLaughlin et al., eds., The United States and World Development Agenda 1979 (New York, Praeger Publishers, 1979), p. 260.

Table 1.7 indicates, the multilateral percentage of total ODA increased from 20 percent in 1974 to 25 percent in 1980. However, the share of total disbursements fell somewhat because of the increase in public bilateral nonconcessional lending following the oil crises in 1973.

The major multilateral aid channels are the World Bank group -- the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporations (IFC) -- the United Nations agencies, the European Economic Community, various regional development banks, the Arab OPEC agencies, and most recently the IMF Trust Fund. As Table 1.8 shows, most of the multilateral funding is concentrated on a few agencies, especially those established financial institutions. The World Bank group (IBRD, IDA, and IFC) dwarfs all other multilateral agencies in terms of disbursements. Between 1974 and 1976 it accounted for about 50 percent of all multilateral disbursements and throughout the decade it has done most of the nonconcessional lending. But in 1977, nonconcessional lending of IBRD fell off and disbursements of the Arab OPEC agencies increased steadily until 1977, reaching a peak of $1,504 million and then dropped sharply to $476 million in 1979 and has continued to decrease.

Domestic Savings

The other major source of capital for investment in developing countries is domestic savings. Gross domestic savings for low-income countries in 1980 was 18.7 percent of gross domestic production, or $48.3 billion; for middle-level countries, gross domestic savings amounted to 23.2 percent of GDP or $253.1 billion. Thus, the total domestic savings in developing nations amounted to $301.4 billion or four times the external resources available for development.[6]

As will be discussed further in chapter 6, future prospects for substantial growth of foreign capital flows, both public and private, from industrialized and OPEC nations, is not assured in spite of obvious need in developing nations and the pleas of numerous high-level international commissions investigating the plight of the Third World.[7]

Public support for development assistance among the major donors is less evident than it used to be. Economic and social problems such as inflation, unemployment, urban decay, and violence -- to which solutions are not clear -- and political considerations have caused donor nations to reevaluate the importance of foreign aid. There is disillusionment with the results of past efforts, anger with the attitudes of many developing countries, hostility to the policies of OPEC nations, and an increasing desire to tend to pressing internal problems to

Table 1.8
Composition of Multilateral Disbursements, 1970-1980
($ millions)

	1970	1974	1975	1976	1977	1978	1979	1980
Total[a]	1,784	4,648	6,421	6,599	7,897	9,084	10,355	12,570
IDA[b]	163	901	1,086	1,310	1,132	1,007	1,278	1,543
IBRD[c]	576	1,346	1,978	1,933	739	1,173	1,675	1,730
U.N. Agencies	498	939	1,457	1,252	1,136	1,345	1,759	2,102
Arab OPEC Agencies	--	140	216	609	1,504	1,122	476	405
EEC	221	614	748	559	598	883	1,287	1,270
Inter-American Development Bank	308	509	525	567	688	707	782	893
IMF Trust Fund					176	865	680	1,636
IBRD and IDA as Percent of Total	41	48	49	49	23	24	29	26

Source: Geographic Distribution of Financial Flows, p. 230.

[a]The total incorporates allocations to other multilateral agencies not shown in this table.
[b]IDA gets most of its funds from the public assistance budgets of donor nations.
[c]IBRD borrows money on the international capital markets.

the exclusion of the problems of others. In most of the industrialized nations recent budget cuts have been announced in domestic programs. Under these circumstances, it is hardly politically expedient to expand foreign assistance. Moreover, uncertain geopolitical alliances and global realignment of nations have been responsible world-wide for massive increases in military expenditures.

MILITARY EXPENDITURES

From 1956 to 1975 military expenditures* have increased globally at almost 3 percent per annum. During this period the distribution of defense spending altered substantially. As Table 1.9 shows, in 1955, NATO and WTO nations accounted for over 90 percent of world-wide military expenditures; they dropped to below 80 percent by 1975, giving an annual growth rate of 4 percent. In

Table 1.9
Growth Rate of Military Expenditures,[a] 1955-1975

	Average Annual Percentage Change	Percentage Distribution 1955	1960	1965	1970	1975
NATO	1	62	62	55	49	45
WTO	3	29	27	31	33	33
Other Developed	4	3	3	3	3	3
China	6.5	3	3	5	6	6
Third World	10.0	3	5	6	8	12
World Total	2.7	100	100	100	100	100

Source: Frank Barnaby, "The Scale of World Military Expenditures," in Disarmament and World Development, ed. Richard Jolly (Oxford: Pergamon, 1978), p. 9

[a]Expenditures are in constant prices.

*Precise data on military expenditures are difficult to obtain because the governments of many nations argue that the publication of such information would violate national security interests. Consequently, information is sometimes disguised to hide the true magnitude or purpose. The reader, therefore, might find that the figures presented here do not tally with those from other sources. The point is, however, that military expenditures have grown enormously.

contrast, Third World nations increased their share of expenditures on the military from 3 to 12 percent.

Many have argued that while military spending is growing, economic development is faltering. Certainly the amount allocated to foreign economic aid world-wide is paltry compared to the amount spent on the military, as Table 1.10 illustrates. A review of the allocation of government funds during the decade of the 1970s shows priority is consistently placed on military expenditures to the neglect of social and economic factors which are critical to ensure a reasonable quality of life for the citizens. In 1977, military expenditures world-wide amounted to almost $400 billion, which is eighteen times more than the sum industrialized nations spent on foreign assistance. Put another way, it exceeded the total amount spent on education and public health by the nations of the world.[8] In terms of the United States' budget, 24¢ out of every dollar were spent on defense in 1980. This is in stark contrast to the 1¢ out of every dollar allocated for foreign economic aid, including bilateral programs and contributions to multilateral development banks.[9]

Table 1.10
Comparison of World Military Expenditures
and Foreign Economic Aid
($ billions)

	1970	1971	1972	1973	1974	1975	1976	1977
Total Military Expenditures	200	211	226	252	289	330	356	391
Developed Nations	173	180	192	214	238	263	276	305
Developing Nations	27	31	34	38	51	67	80	86
Total Foreign Economic Aid	8.3	9.4	10.3	12.0	15.9	20.0	20.1	21.1
Developed Nations	7.6	8.5	9.4	10.3	12.1	14.2	14.2	15.1
Developing Nations	.7	.9	.9	1.7	3.8	5.8	5.9	6.0

Source: Ruth Leger Sivard, World Military & Social Expenditures, 1979 (Leesburg, Va.: World Priorities, 1979), Statistical Annex, Table 1; World Development Report, 1980, p. 29.

U.S. FOREIGN AID

As mentioned above, the United States spends more than any other nation on foreign aid, yet in 1979 the

Table 1.11
U.S. Economic Assistance Program Administered by AID, 1962-1979
($ billions)

Year	Bilateral Disbursements		Security Supporting Assistance		PL 480	
	Current Dollars	1972 Dollars	Current Dollars	1972 Dollars	Current Dollars	1972 Dollars
1962	1.7	2.4	0.8	1.1	1.4	1.9
1964	1.7	2.3	0.5	0.6	1.5	2.0
1966	1.6	2.2	0.9	1.2	1.6	2.1
1968	1.4	1.8	0.6	0.7	1.3	1.7
1969	1.1	1.3	0.4	0.5	1.2	1.4
1970	1.2	1.4	0.5	0.6	1.1	1.3
1971	1.1	1.2	0.6	0.6	1.2	1.3
1972	1.3	1.3	0.6	0.6	1.2	1.2
1973	1.2	1.2	0.6	0.6	1.1	1.1
1974	0.9	0.9	0.6	0.6	1.0	0.9
1975	1.1	0.9	1.3	0.9	1.3	1.1
1976	1.0	0.8	1.1	0.9	1.3	1.0
Transition Quarter	0.3	0.2	0.9	0.7	0.2	0.1
1977	1.2	0.8	1.8	1.3	1.2	0.9
1978	1.4	0.9	2.2	1.5	1.2	0.8
1979	1.6	1.0	1.8	1.2	1.1	0.7
Total[a]	24.7		17.3		22.7	

Source: Agency for International Development, U.S. Overseas Loans and Grants and Assistance from International Organizations, Obligations and Loan Authorizations, July 1, 1945-September 30, 1979; Organisation for Economic Co-operation and Development, 1979 Review: Development Co-operation (Paris, 1979).

[a]The total incorporates allocations for years not shown in this table.

allocations for foreign economic assistance represented less than 2 percent of the federal budget. While seemingly small, this sum represented about 22 percent of all official development assistance transferred from developed nations to developing countries that year.[10]

The U.S. bilateral foreign assistance program has had three principal thrusts: bilateral disbursements, security supporting assistance, and the Food for Peace program. The objective of the first is obvious. The intention of the security assistance program is "to promote economic and political stability in regions where the U.S. has special security interests and has determined that economic assistance can be useful in helping to secure peace or to avert major economic or political crises." The program has financed capital projects, provided balance of payments support, and recently augmented the bilateral program directed at benefiting the poor. Program policies are set by the secretary of state with the assistance of the director of the International Development Cooperation Agency (IDCA); it is administered by the Agency for International Development.

The Food for Peace (PL 480) program was formed with two purposes in mind: to help alleviate world hunger and to create new markets for American farm products. Approximately six million tons of food and agricultural products are annually allocated at concessionary terms and granted to developing nations. Guidelines for the program are jointly established by the Department of Agriculture and IDCA and the administration is managed by AID.[11]

The magnitude of these three aspects of the bilateral foreign aid program from 1962 to the present is illustrated in Table 1.11. The total amount of bilateral disbursements, security supporting assistance, and PL 480 funds provided by the U.S. to all foreign countries between 1962 and 1979 was $64.2 billion. The column showing disbursements figures in 1972 dollars illustrates that there have been significant reductions of over 50 percent in the real value in both the bilateral and Food for Peace programs since 1962.

But the economic assistance program administered by AID gives an incomplete picture of U.S. foreign aid. In addition, the economic aid program includes paid-in capital subscriptions and contributions to international lending institutions such as the World Bank and the Inter-American Development Bank, and military assistance mainly in the form of grants of military equipment, supplies and services, and training of foreign military personnel. Historically, the economic assistance program (bilateral, multilateral, and miscellaneous other contributions) has always been larger than the military aid program, as Table 1.12 indicates. But the gap between the two programs is narrowing. In 1977, the economic aid program was

Table 1.12
U.S. Economic and Military Assistance
($ millions)

	Marshall Plan Period 1949-1952	Mutual Security Act Period 1953-1961	Foreign Assistance Act Period				
			1962-1976[a]	1977	1978	1979	1980[b]
Total Economic Assistance	$18,634	$24,053	$ 63,186	$5,594	$6,661	$ 6,918	$7,275.1
Agency for International Development[c]	14,506	16,885	34,263	3,181	4,086	3,848	3,834.2
Security Support Assistance	348	8,853	11,291	1,766	2,221	1,981	1,972.1
Food for Peace	83	6,416	19,258	1,193	1,229	1,084	
Multilateral Institutions	—	189	5,892	931	1,104	1,632	2,307.7
Other[d]	4,045	563	3,773	289	242	354	
Total Military Assistance	10,064	19,302	44,404	2,190	2,353	6,725	
Total Economic and Military Assistance	$28,698	$43,355	$107,590	$7,784	$9,104	$13,643	

Source: U.S. Overseas Loans and Grants and Assistance from International Organizations, p. 6; Congressional Presentation Fiscal Year 1982, p. 36.

[a]Includes Transition Quarter.
[b]Estimate.
[c]Refers to AID and predecessor agencies.
[d]Includes Peace Corps, grants to the International Narcotics Control, technical assistance grants from the Trust Fund, and other minor accounts.

two and one-half times as large as the military assistance program; in 1978, it was almost three times larger; but in 1979, there was a dramatic reversal and appropriations for the two programs were about the same. Also increasing are the appropriations for multilateral institutions. For 1977 and 1978, about 17 percent of the total economic assistance was allocated to multilateral institutions; the amount increased to 24 percent in 1979. And estimates so far indicate that in 1980 the multilateral lending institutions received 32 percent of the total U.S. economic assistance appropriations.

With this overview of the current financial resources available for development activities in Third World nations, let us now turn to review the evolution of development theory and begin to identify some of the major players in the development game.

NOTES

1. The World Bank, World Development Report, 1980 (New York: Oxford University Press, 1980), p. 9, Figure 2.5.

2. Eight countries -- Algeria, Argentina, Brazil, Mexico, South Korea, Spain, Venezuela, and Yugoslavia -- accounted for 60 percent of the total debt in 1979. The World Bank, World Development Report, 1981 (New York: Oxford University Press, 1981), p. 52.

3. Two DAC members, the United States and Switzerland, have never endorsed the group's target even as a goal. In 1979 the assembled developing nations criticized the foreign aid performance of the three DAC countries with the largest economies: Japan, West Germany, and the United States. Net official development assistance disbursed by the U.S. was about 0.20 percent of GNP in 1979, just slightly higher in 1980, and it appears that it will remain at that level or drop. Because of the size of its economy, there is concern among some DAC members that this low ODA/GNP ratio will have a negative influence on the contributions of other members. Organisation for Economic Co-operation and Development, 1981 Review: Development Co-operation (Paris, 1981), pp. 17, 83, 106.

4. World Development Report, 1980, p. 30; World Development Report, 1981, pp. 15, 56.

5. World Development Report, 1980, Table 16 and pp. 141-142; World Development Report, 1981, pp. 56, 96.

6. World Development Report, 1980, p. 9, Annex: Table 1.

7. See, for example, Independent Commission on International Development Issues, North-South: A Program for Survival (Cambridge, Mass.: MIT Press, 1980).

8. David K. Whynes, The Economics of Third World Military Expenditures (London: Macmillan & Co., 1979), p. 73.

9. United States International Development Cooperation Agency, Congressional Presentation Fiscal Year 1982 (Washington, D.C., 1981), p. 10.

10. Agency for International Development, U.S. Bilateral Economic Assistance Program: Purpose and Composition (Washington, D.C., 1978).

11. Congressional Presentation, Fiscal Year 1982, p. 17.

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2
The Evolution of Development Ideas and Institutions

Though global inequalitites and the procedures for eliminating economic backwardness have been the focus of attention for many centuries, the United States did not have a significant foreign economic assistance program until near the end of World War II.[1] The impetus for this program came largely from a desire to block communist political and military initiatives and to prevent Russia from gaining a foothold in war-torn nations of Europe. While the United States briefly supported the United Nations Relief and Rehabilitation Agency at the close of the war, this aid was stopped in 1946 when it appeared that a large portion of the agency's resources were being funneled to Eastern European countries. The first major foray into the foreign aid arena came with the Marshall Plan.[2] It was an unique exercise in the power of money and the resolve of the American people and political institutions to rebuild Europe. Its focus was on reconstruction, i.e., rebuilding the plants and equipment destroyed by the war.

One has to be struck by the magnitude of this first economic assistance program. Under the Marshall Plan, $13 billion were disbursed during the four-year period from 1948 to 1951. In 1946, loans were made to the United Kingdom $3.7 billion), and to Japan (more than $2 billion), and additional amounts of assistance were made available to Greece and Turkey. In current dollars, it was probably equivalent to $45 billion. Today the program is seen as having been tremendously successful despite the apparent lack of concern, at least as judged by contemporary standards, for the plan's long-term distributional impact. As reported by Theodore White, who was posted in Paris when the plan was being implemented:

> Generally, those who benefited first from our money were the poorest, the neediest, the most hungry; but those who benefited longest and most were some of the most unlovely and greedy men of Europe. Yet the latter went with the former, and to get Europe working again, those

> invited to America's table were not at all those whom one would invite into the home.[3]

More accurately, it was not a lack of concern for distributional implications that led the Americans back to the heads of the old cartels; rather, it was the recognition that these men had the power and the competence to get Europe rehabilitated in a hurry.

AID TO DEVELOPING NATIONS

In 1950, Congress passed the Act for International Development which authorized the so-called Point Four Program. Section 403 of the act stated the U.S. policy would be:

> ...to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity and expanding purchasing power.[4]

The act authorized the creation of a Technical Cooperation Administration to administer technical assistance programs in some developing countries.*

Clearly, the first major foreign assistance program for developing nations** had its political and economic antecedents in the Marshall Plan through the reconstruction effort. Politically, the United States wanted to win "the hearts and minds" of developing nations for capitalism and democracy in contrast to the Russian emphasis on government planning and party control. Economically, the provision of capital (as distinct from its recon-

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*The Technical Cooperation Administration was created while the Economic Cooperation Administration (ECA), the agency responsible for the Marshall Plan, still existed. Both agencies had missions and responsibility for programs in developing nations. This overlap led to administrative and functional confusion which a joint committee of the Senate tried to clear up in 1951 by specifying responsibilities and geographical jurisdiction for each agency.[5]

**The United States provided some foreign assistance to Latin American countries in the 1940s.

struction) coupled with technical assistance was seen as the proper development strategy.

The Political Initiative

Historically, the belief in democracy as manifested in political participation had great precedent in the United States. Americans had always participated in public affairs and believed it was a desirable goal for other nations to pursue. In the 1950s, many development experts argued the lack of democratic political participation as well as the presence of political violence and socioeconomic inequality was the result of backward social and economic status. To correct these problems the experts recommended rapid socioeconomic growth, thereby increasing the overall economic well-being of the nation which, in turn, would permit the redistribution of wealth, promote political stability, and provide the foundation for a democracy with broad-based political participation. This so-called "liberal model of development" was based on a belief in the correlation between social and economic backwardness and the evils of arbitrary rule, instability, and inequality.[6]

The pressure for increased political participation reached its zenith in Title IX of the Foreign Assistance Act of 1966 which called for an emphasis to be placed on:

> ...assuring maximum participation in the task of economic development on the part of the people of developing countries, through the encouragement of democratic private and local government institutions.[7]

It did not take long to find that the simple-minded tenets of the democratic model did not hold up in practice. Economic development did not lead directly to greater political participation, equality, or stability.* In reviewing the tenets of this model, Huntington and Nelson concluded:

> In the past decade the liberal model of development has been shown to be methodologically weak, empirically questionable, and historically irrelevant, except under special circumstances.[9]

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*This tenet still has adherents. In his opening statement before the Committee on Foreign Relations in 1979, the administrator of AID, Governor John J. Gilligan, used the old argument that aid helped people develop along democratic lines. The chairman of the committee, Senator Frank Church, commented that this was obviously wrong: development assistance should not be justified on this basis. The poorest and most authoritarian countries were often the most stable.[8]

The Economic Initiative

The Marshall Plan effort entailed replacing productive resources that had been destroyed in the war. If this approach worked for developed nations, would not a similar approach, with one slight modification, work in developing nations? The modification would be to supply technical assistance with the productive resources, inasmuch as developing nations needed training on how to use those resources.*

At the time there were few who questioned the appropriateness of using Western technologies in developing nations. It was only a matter of educating the nations to see the value of these technologies and providing them with financial assistance to purchase the technologies. While today this seems extremely naive, it has to be remembered that serious questioning of Western technologies did not start until the mid-sixties. Until then the problem was seen as inadequate resources and technologies, and nothing else.[10]

This so-called resource constraint model had many proponents among the development theorists of the time. For example, Walt Rostow argued that development occurs in stages and that with adequate resources early on countries would "take off" into self-sustained growth.[11] The stages theory of growth offered a simple, comprehensive framework for large-scale development programs. As with the Marshall Plan, the overall thrust of the program was to make adequate investment resources available which would launch countries into self-sustained development paths. While there was considerable controversy about Rostow's stages and their proper sequence, the general thinking of the time focused on resource constraints at the macro level. Roy Harrod and Evsey Domar's models, in which national output was seen as solely dependent on the capital stock, and that in turn on investment, typified the ideas of the fifteen-year period directly following World War II.[12]

The activities and ideas just described led to a development approach, dominant during the 1950s and 1960s, that can be characterized as follows:

1. A focus on increasing aggregate production;

2. Macro economic planning to identify constraints to increasing aggregate production;

3. A view that output growth was primarily constrained by inadequate technology investment;

*This was manifested in Title IV of the Foreign Assistance Act.

4. Foreign assistance to eliminate investment shortages;

5. Foreign assistance not tied to specific project activities, but directed at:

   - the use of Western equipment and technologies, including community development and traditional agricultural extension techniques;

   - large-scale infrastructure investments;

   - education through technical assistance and foreign schooling for students from developing nations; and

   - institution building.

It was believed that such assistance, when tied to the elimination of policies that constrained the operation of free markets, would lead countries into the "take-off" stage. Distributional issues were not ignored; instead, it was assumed that the poverty problem would be eliminated most rapidly by focusing attention on increasing overall output. In short, the period might be characterized as the era of the "big lever" approach to development: find a few handles that really make a difference, turn them in the right direction, and output will increase. Then benefits will "trickle down" through all segments in society.

This approach appealed to many actors in the development game: the American businessmen looking for new markets for their products*; American technicians interested in trying out their new techniques overseas; development agencies needing only to appropriate funds for general programmatic purposes; recipient governments free to allocate programmed monies; and the wealthiest classes in developing nations who were in the best position to take advantage of foreign assistance. Despite the general satisfaction with the overall development strategy, there was an inherent conflict between the political participation initiative and the economic resource constraint initiative. According to the resource constraint model, domestic resources had to be mobilized for investment. This, it was believed, required higher taxes, the holding of government consumption expenditures

*The promotion of American business interests abroad was a critical, if not dominant, motive for driving the development movement forward. It was understood that private investments would provide most of the foreign capital to finance investments in developing nations.

to a minimum, and the continuation of income inequalities.* Proponents of the resource constraint approach feared that greater political participation would lead to lower taxes, more government consumption and expenditures, and greater income equality.[13] It can hardly be said that either side came out of this conflict victorious: the political participation movement died as a result of its naive conceptual underpinnings, and by the mid-sixties there was growing dissatisfaction with the resource constraint model.

"NEW DIRECTIONS"

One of the earliest efforts to revise the approach to foreign assistance was the Alliance for Progress, established in 1961 under President Kennedy. Like the earlier Marshall Plan, the alliance was a response to the fear of communist expansion: it was a democratic alternative to Cuba's revolutionary socialist formula for development. The alliance represented a dramatic reorientation of U.S. foreign aid policy towards Latin America by supporting major social and economic reforms in an attempt to maintain political stability.

The objectives of the alliance were "to bring a better life to all the peoples of the Continent," by working through democratic institutions "To make the benefits of economic progress available to all citizens of all economic and social groups...." This was to be accomplished by encouraging

> ...programs of comprehensive agrarian reform leading to the effective transformation, where required, of unjust structures and systems of land tenure and use, with a view to replacing latifundia and dwarf holdings by an equitable system of land tenure so that, with the help of timely and adequate credit, technical assistance and facilities for the marketing and distribution of products, the land will become for the man who works it the basis of his economic stability, the foundation of his increasing welfare, and the guarantee of his freedom and dignity.[14]

It was a sophisticated development strategy aimed at substituting social reform for revolution. But it was premature, and many of the more radical aspects of the charter were ignored.

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*Income inequalities were deemed desirable in the belief that savings propensities were lower among lower-income individuals.

Although the concept of using foreign aid to assist in major social and economic reforms was new, the dynamics of social reform were not clearly understood. The idea that development in Third World nations could successfully emulate the patterns in the West was challenged as a consequence of the tumultuous social changes and political ferment then occurring in the West. In the U.S. questions were raised about the overall objectives of foreign policy, as the Alliance for Progress indicated and, more generally, about the basic tenets of growth and progress. Eisenhower, in his last speech as president, quoted C. Wright Mills and warned of the increasing power of the "military-industrial complex."[15] In the mid-sixties, Congress symbolically terminated government funding for the development of a supersonic aircraft. Public dismay with the escalating involvement in Vietnam was growing, and books such as Small is Beautiful and The Greening of America were best sellers. A counterculture evolved that denied the validity of conventional notions of development. They saw the damage of the Vietnam war, the environmental consequences of progress in polluted rivers and seas, foul air, reckless exploitation of natural resources, and urban sprawl. Their members, mainly white, middle-class and well-educated, urged developing nations to reject Western growth models and all that entailed -- glass skyscrapers, nuclear plants, and highly mechanized industries -- and to concentrate on individual needs.[16]

On a purely political plane, the "war on poverty" had failed, but aspirations and agitation remained among the domestic poor.[17] Overseas, the shortcomings of the community development movement were becoming painfully apparent, and traditional extension methods appeared to be getting nowhere. In these circumstances, Congress was understandably sensitive to charges that foreign assistance dollars were ending up in Swiss bank accounts of the wealthy from developing nations.

While there was unanimity that an exceptional rate of growth had occurred in developing nations, and that foreign assistance had been a contributing factor, there was a growing concern that the aggregate economic growth had done little to alleviate poverty of the poorer half of populations in less developed countries. It was argued that the traditional development approach of increasing aggregate income through large-scale infrastructure investments and the importation of Western technologies had widened intra-country income disparities.[18] Furthermore, regarding the resource constraint models:

> It was no longer so clear that greater savings resulted from income inequality. It was seen that with conditions of security and profitability, poor people would save and invest, that more productive investment resulted from

> greater savings, or that economic growth itself resulted simply from the volume of investment.[19]

In many instances it was found that the application of advances in agricultural technology, such as those associated with the green revolution, were increasing both absolute and relative income disparities among farmers in developing countries.[20] The increasing commercialization of production associated with the green revolution and the growing competition for quality farm land has resulted in a rapid decline in self-provision agriculture and has led to more landless laborers and produced more families trying to extract a living from smaller plots of land of poorer quality.

Many experts in the West argued that underdevelopment in Third World countries resulted from the policies employed by the developed world. Certainly, disillusionment with international development efforts increased among the recipient nations as a result of the disparities between the stated goals, both social and economic, and the realities, and between the proclaimed objectives of the donors and their hidden agendas. Privileges and extremes of wealth and social injustice persisted, structural changes in society did not occur, and the dependence on international capital markets did not substantially change.

In response to these pressures, and others, the major donors in the early seventies took on a new objectives: to target development assistance on the poorest segment in developing nations.[21] The new focus was manifested in policy directives that were issued almost simultaneously within the World Bank and the Agency for International Development. The president of the World Bank, Robert McNamara, addressing the Board of Governors in 1973, said:

> The fact is that very little has been done over the past two decades specifically designed to increase the productivity of subsistence agriculture. Neither political programs, nor economic plans, nor international assistance -- bilateral or multilateral -- have given the problem serious and sustained attention. The World Bank is no exception. In our more than a quarter century of operations, less than $1 billion out of our $25 billion of lending has been devoted directly to this problem.
>
> It is time for all of us to confront this issue headon....
>
> I suggest that the goal be to increase production on small farms so that by 1985 their output will be growing at the rate of 5% per year.

> If the goal is met, and smallholders maintain that momentum, they can double their annual output between 1985 and the end of the century.[22]

As alluded to earlier, Congress also wanted to alter the unfavorable image that foreign aid was primarily benefiting the rich in developing nations -- an image that had caused indignation and reproach among lobby groups devoted to eradicating domestic poverty and some legislators such as Senator Morse who sponsored an amendment to abolish foreign aid in its present form by 1965 and start all over again. For several years the program stumbled along until it approached a state, according to Senator Fulbright, "in which authorizations and appropriations were made on a country by country basis, seriously endangering the legislative process itself.[23] Then, in 1973, the Foreign Assistance Act was significantly amended to reflect these concerns:

> United States bilateral development assistance should give the highest priority to undertakings submitted by host governments which directly improve the lives of the poorest of their people and their capacity to participate in the development of their countries.[24]

It should be emphasized that this change, with the exception of the charter of the Alliance for Progress, constituted a radical departure from earlier development priorities. In the past, foreign donor priorities were placed on increasing the pace of overall economic development; the new thrust defined development assistance as helping the poor of developing nations. This change in emphasis was greater than that attempted domestically by the "war on poverty." The poverty legislation did not subordinate the mandate for growth included in the Employment Act of 1946 to equity considerations; it simply added the "war on poverty" to it. In contrast, it appears that McNamara and Congress wanted a more extreme change in emphasis: the distributional objective was to assume primary importance. As one cynic wrote in response to this "gnawing" concern about the distributional effects of development assistance: "It almost seems as if American donors are about to make social justice a categorical imperative for the LDCs who are recipients of aid."[25] From another perspective, the 1973 "new directions" in foreign assistance acknowledged the primacy of humanitarianism over the strategic and political goals of development assistance.

What is the "New Directions" Development Strategy?

What is "new directions?" As an objective, it is a concern that the poor will benefit from development efforts. As a development strategy, it is a yet-to-be-tested theory that development activities can be targeted to the poor by large donor agencies in a manner that is cost effective.

The "new directions" mandate specifically calls for an increased emphasis on agricultural cooperation, equitable land tenure patterns, small-farm labor-intensive agriculture, and equality of income distribution. In short, it requires changes in national development policies and structural reforms in host countries which conflict with traditional policies and institutions. Moreover, the requirements of the mandate conflict with other foreign policy objectives of the United States government, such as supporting friendly nations and maintaining continuity in the delivery and implementation of foreign aid. Such fundamental shifts in the perception of development in the past have led to a polarization of ideas, distortion, biases, and a preoccupation "with different aspects of the variables in the social system, to the neglect of others," as well as numerous changes in technical fads. As Streeten has pointed out:

> Certain subjects or views, at any given time, have "sex appeal". The explosive interest in equality at the expense of economic growth can be regarded as such a fashion. Other cycles are the emphasis on industrial import substitution, followed by recommendations of industrial export promotion and, now, the beginnings of some disenchantment with industrial export-led growth and a new turn to primary export restrictions. Another fashion cycle is the switch from investment in physical capital to investment in formal education, followed by disillusion in formal education and a turn to informal education and motivation; also the swings between functional literacy and mass literacy campaigns. Another cycle is that between pessimism and euphoria about world food production. The debates on agriculture versus industry, large-scale versus small-scale techniques, formal versus "informal" sector, deteriorating versus improving terms of trade, material versus social objectives, growth versus the environment, and others have found in turn a clustering of views round alternating sides of the pendulum. The importance and the irrelevance or damage of development aid, as viewed by both donors

> and recipients, represents another swing. One could go on.[26]

Policy changes as drastic as those called for in "new directions" cannot be expected to happen overnight: time is needed to develop an implementation strategy; projects must then be designed to reflect this strategy; and time must then be allowed for project implementation efforts and the inevitable resulting need to redesign the strategy as evidence from the first efforts comes in.

Arguments have been made supporting different philosophic attitudes on how to achieve this distributional objective. Each has promise for attaining the growth with equity objective, but each has serious weaknesses. There is considerable debate as to which of these approaches is most effective for achieving development and little comparative empirical work to support the various points of view. For purposes of discussion, they will be presented under three principal headings: traditionalists, incrementalists, and revolutionaries.

Traditionalists. The traditionalists believe that the most appropriate way to design intervention strategies that reflect the "new directions" philosophy is to accept the social, political, and economic systems of the recipient nation. They argue the donor agent has no role in trying to interfere in the internal social structures and organizations of a country: his role as a change agent is to recommend actions that respond to the needs of the community and to work through existing systems. This usually means the politically powerful and economically successful. Traditionalists assume that all members of society, including the rural poor, will eventually receive the benefits of the intervention as they "trickle down" through the system.

Incrementalists. The only way to respond to the "new directions" mandate, according to another group of development experts, is through progressive and incremental change. This involves modification of fundamental social structures before the various strategies to achieve the objectives of "new directions" can be implemented. This group argues a precondition for achieving growth with equity is a redistribution of productive assets -- land and capital -- and provision to ensure the poor have access to these redistributed assets. The following statement of Keith Griffin exemplifies this position:

> ...the view that asset redistribution (notably land) is a *sine qua non* for the rapid reduction of rural poverty is indeed a hypothesis -- as all such statements must be. But there is considerable historical evidence from, say, Japan, Taiwan, South Korea, China and Cuba which is

> consistent with this view. Equally, there is increasing historical evidence that rapid growth alone, in the absence of a relatively egalitarian distribution of rural assets, will not necessarily lead to a reduction in poverty, e.g., Morocco, Pakistan, Philippines and Mexico.
>
> I quite agree that aid donors are in no position to promote asset redistribution on a large scale, and even if they were, it would be undesirable for them to interfere in internal political matters to that degree. So certainly one should try other approaches, although I am not optimistic about their success.[27]

Revolutionaries. At one extreme end of the philosophic spectrum are the revolutionaries. They argue that "new directions" development assistance projects cannot occur in the current environment of many developing nations. In these nations the distribution of resources and political power are so badly skewed as to offer very little hope that any effort to help the rural poor will succeed. Efforts to make incremental changes in economic conditions where historically the social, political, and economic systems are managed to benefit the elite do not deal with the basic problem. Slight changes in agricultural patterns, they argue, will not bring about a change in society that will benefit the poor. For that to occur the class structure must be changed. Oppressed people must be liberated from "the bonds that chain them to passivity."[28] They need material and moral assistance in their struggle for liberation, because they fear to behave differently. The elite class will be committed to maintaining their privileges and have little or no incentive to accept minor reforms. The only solution is a social revolution in which the mass of people are made aware of their plight, organize, and take power.[29]

In nations that exhibit such characteristics, donor agencies have three basic options: help foment the revolution, pull out, or keep trying in hopes that some benefits will get through to the rural poor. The first option does not fall within the realm of activities usually undertaken by foreign assistance agencies; the second option admits defeat. Although there are a few countries that appear to have little interest in helping the rural poor, they are a minority. Mostly, therefore, it is reasonable to expect donor agencies to follow the third option.

There are international as well as national revolutionaries. The former argue that no strategy aimed at assisting the poor in developing nations will succeed without a fundamental restructuring of the international economic order, since the present order is dominated by industrial nations and managed for their benefit with

little concern for the welfare of developing nations. This group espouses global responsibility for ending poverty and for justly and equitably distributing the wealth of nations.

Members of this group have found it difficult to reach a consensus on their demands. They have argued, from time to time, for a redistribution of credit, reduction of tariffs on goods produced in developing nations, increased foreign assistance through international taxation, assistance to developing nations to diversify exports, and a reorganization of international institutions such as the World Bank and the International Monetary Fund. Circumstances have become even more confused by the refusal of oil-exporting developing nations to provide oil at concessionary prices to their brethren.

Today the whole movement is in disarray, and little progress has been made in restructuring the international economic order. Some proponents of this strategy, such as Mahbub ul Haq, are beginning to take a somewhat revisionist position by arguing for trying to find areas of common interest between developed and developing nations. He asserts that "Restructuring the international order so as to make it more equitable and more responsive to the needs of the poor nations is a long-term process, not an event." Objectives on both sides must be clarified and the rapidly increasing interdependence of developed and developing nations must be recognized. Future relations should move away from the heated arguments of the past and be viewed in a long-term historical perspective.[30] With few exceptions, the movement has had little influence on development policies anywhere. Even if this new order were to occur, the new nations holding the redistributed assets would be forced to face the same issue: What development approaches should be used to facilitate growth and equity?

IMPLEMENTATION OF "NEW DIRECTIONS" OBJECTIVES

A number of research projects to find ways to implement the "new directions" mandate have been sponsored by international and bilateral donor agencies such as the International Labour Organisation, the World Bank, and the Agency for International Development. This research has resulted in numerous development strategies reflecting the broad range of ideologies discussed above. In general terms, they concluded that if development assistance was to benefit the rural poor in a manner that was self-sustaining, an evolutionary process was needed with the poor as active participants that would lead to the poor gaining the ability to help themselves.[31] This approach emphasized:

1. Research on the rural poor in each unique setting to identify cultural, political, and economic constraints to change;

2. The involvement of the rural poor in project decisionmaking; and

3. The withholding of large commitments of foreign assistance until the rural poor had shown a willingness to make their own resource commitments to project activities.

It was concluded that the traditional approach to project development should be stood on its head. Instead of engaging in macro economic planning and using "big policy levers," the new strategy concentrated on the development of customized plans for specific regions within a country where much of the detailed planning was to be done after development activities had started. Thus, rather than making large resource commitments to projects at the outset with information on how the resources should be spent provided in detail, small-scale resource commitments should be made at project inception, with the details on larger commitments evolving slowly.

The next section will briefly describe the most popular implementation strategies attempted by the incrementalists and traditionalists. Development strategies favored by the incrementalists include the provision of basic needs, employment generation, integrated rural development, "bottlenecks first," and appropriate technology. The approaches attempted under the philosophic aegis of traditionalism might be categorized under the following slogans: infrastructure development, institution building, and improved agricultural technologies. Although an intervention is rarely based on only one of these strategies but on some combination, it is important to distinguish among them, conceptually articulating their strengths and weaknesses before embracing one or the other as a panacea for development ailments.

Incrementalist Development Approaches

The provision of basic needs. A major pillar of the new targeted approach entails satisfying the basic needs of the poor.* Development assistance efforts to satisfy

*What are basic needs? The first and most basic are the physiological needs, i.e., air, food, and water. When these are met the needs for safety, shelter, and security emerge. Then come the needs for a sense of belonging and love, followed by a desire for prestige and self-respect. And finally, one develops a need for self-actualization.

basic needs concentrate on basic goods and services, i.e., nutrition, health, housing, and education. The Agency for International Development, for example, has stated "that a basic human needs strategy is a development strategy that incorporates the concept of growth as well as providing services to poor people...." It is an approach that combines high growth rates with measures to redistribute investments to activities benefiting the poor as well as efforts to involve people in labor-intensive activities. "Broadened to include popular participation, a basic human needs strategy is a strategy to enhance political and civil human rights as well as economic rights." What distinguishes it from other "new direction" approaches is that it stipulates the attainment of a minimal standard of living for the poor.[32]

According to another spokesman of the basic needs approach, there are two ways to define it: the culmination of all previous development thought and experience, or an approach that complements existing strategies. Its aim is to increase and redistribute production so as to eradicate deprivation that arises from a lack of basic goods and services.[33]

Employment generation. Strategists who argue for an employment oriented development model point out that the population and labor force in developing countries will double by the year 2000. It will be necessary to find employment for the 300 million who are presently unemployed in addition to another 1,000 million people who will be entering the labor force in developing nations. These unemployed or underemployed people are a wasting asset. If productive things can be found for this primarily rural idle work force to do, poverty can be reduced while desirable activities are undertaken. Moreover, by paying the rural poor directly for their efforts, one can be sure they will be spent in a way that the recipients perceive will maximize their well-being. Although the concept philosophically is closely linked to basic needs ideology, interesting contrasts can be drawn between them.[34] The employment generation approach emphasizes paying the worker income; the basic needs approach emphasizes increasing the productivity of the worker.

In order to be effective and not strictly an income transfer, employment generation programs require careful planning and supervision. In the past, these programs tended to develop concentrations of poor people in rural areas. People flocked to participate in the programs because the wages offered normally exceeded pay elsewhere, thereby exceeding an individual's expected income, discounting all risks, and creating employment gaps in other sectors. If and when the project was completed or funds terminated, serious readjustment problems usually

occurred, particularly when the training received in these employment efforts was rarely transferable to other activities.

Integrated rural development. Integrated Rural Development (IRD) has become a guise for almost any effort directed at a rural area. Some donor agencies define IRD as the delivery of social and economic services to a rural area to improve amenities without income generating activities. Other agencies define it as the performance of different functions in rural areas such as research, training, and the delivery of services. Still others define it in organizational terms, emphasizing the coordination of government activities in a geographic area. The Agency for International Development views it as a combination of production, income-generating, and social service activities necessary to improve rural conditions.[35] Conceptually, integrated rural development projects recognize that numerous factors constrain project development and that these factors should be addressed in a coordinated fashion. While each effort has unique impediments, a common set of problems appears to be present nearly always. They are: trying to do too much too soon, inflexibility, and lack of coordination.

Evidence from past efforts suggests it is extremely difficult to specify in detail *ex ante* what is needed, how it should be timed, and what the implementation/organization approach should be. The review and approval process of projects in large donor agencies often requires detailed specification of project activities and relatively large expenditures of funds in the first years of operation. A negative consequence of this requisite is the introduction of overly expensive interventions that rely extensively on outside resources and sparingly use local resources. As long as little time is available in advance to determine what is needed and how to implement it, a *sine qua non* of IRD success is the flexibility to make significant changes in project activities once it is underway.* Although the IRD concept is sound, adequate

*It is unlikely that sufficient advanced time will ever be available to project planners, as the following quote illustrates:

> If there is enough interest and concern in the country and in the Congress to support an experiment about a particular problem, that interest and concern will be so great that people will not be willing to wait long enough for an experiment to be carried out before enacting legislation and launching programs. On the other hand, if there is not that extraordinary degree of interest in the problem, then there won't be enough interest

information is rarely available to develop a detailed design for implementation prior to project inception, nor is adequate flexibility permitted to management teams, or information available to prescribe necessary design changes.

The "bottlenecks first" approach. The assumption underlying the "bottlenecks first" approach to development is that problems should be tackled serially. Its appeal is that project design efforts can focus on uncovering the key bottleneck, or impediment, to whatever the goal is and find a way to deal with it. Other impediments are then identified and tackled. The approach is attractive because of its simplicity. Conceptually, it is inferior to other approaches and poses two potential dangers: inappropriately determining what constitutes the primary bottleneck, and mistaking a means for the end.

Inappropriate bottlenecks to development are often identified because development teams reflect their own background or institutional affiliation. While this phenomenon is easily understandable, the results can be alarming. For example, a project proposal was submitted recently to a donor agency in which the salvation for a small village located hundreds of miles from any major city was identified to be an international airport. The argument made in the proposal, not surprisingly authored by a construction firm that specialized in building airports, was that from a topographical standpoint the area was ideal, i.e., flat. Fortunately, in this case, serious questions were raised concerning the income multipliers employed and how whatever incomes were generated would end up benefiting the rural poor, and the proposal was rejected.

Another common problem associated with the "bottlenecks first" approach is the mistake of confusing a means (eliminating the primary bottleneck) with another step needed to get the benefits of development to the rural poor. It is typical for a development team to make a big push to complete a particular task, such as building a bridge or clearing out irrigation channels, and to assume that once complete benefits will automatically accrue to the poor. This is rarely what actually happens.

Introduction of appropriate technologies. The appropriate technology movement has strong supporters among Western development theorists. Amidst such murmurings as "small is beautiful" and "new life style," there is a growing belief that the world's dispossessed are using inappropriate technologies transferred uncritically from

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to support an experiment. So either way there is no experiment.[36]

the developed world and that they are serving as a significant barrier to development.

In developing nations it is argued that technologies have been introduced without careful assessment of their true opportunity costs. Specifically, this view usually finds capital-intensive industrial and agricultural projects unsuited to environments where investable funds are scarce and there are vast labor surpluses. This is not as simple a hypothesis as it might seem at first glance, and should be examined in detail. It is quite possible that acceptance of capital-intensive technologies was a necessary condition for the receipt of large amounts of foreign assistance.

Before launching a program to eradicate inappropriate technological innovations introduced into developing nations, it is only prudent to gain an understanding of why they had been adopted. If a technology can be defined as the level and combination of inputs used to produce an output and get it into use, it may be considered appropriate when it minimizes the opportunity costs (social and economic) of getting an output into use. A technology may be considered inappropriate when opportunity costs exceed the minimum or when the output is not used. There are three probable causes for the perpetuation of inappropriate technologies. Economic theory tells us that with markets regulated only to correct for market imperfections and no communication barriers, appropriate technologies will be adopted. There is reason to believe that a major source of inappropriate technology use will be caused by monetary and fiscal policies and other government regulations that interfere both domestically and internationally with the free flow of trade. For example, it is generally believed that government actions cause capital to be priced far below its opportunity costs.

A second cause of inappropriate technology utilization stems from inadequate communication. Improved technologies are being developed in rural areas, but these developments are not adequately disseminated; neither has much attention been given to if and how they would be adopted by people who might benefit from them. Also, recent technological advances in developed nations offer a large potential for applications that are not being tapped.

The third reason inappropriate technologies are being employed is because there is a dearth of institutions to effect technological change at the national, regional, and local levels. Why, for example, has a country such as Taiwan succeeded in getting appropriate technologies adopted, when one which is similar in circumstances, such as Korea, has not? Finding the perfect technology for any situation would require an exhaustive consideration of all possible technologies. An appropriate technological choice for a particular location will depend on

economic analysis as well as on relevant sociological and environmental phenomena not readily quantifiable. So far, no one has attempted a classification scheme to determine what technology would have the greatest chance of being appropriate in a particular circumstance where, say, land is expensive, labor is cheap, energy is cheap, and there is no entrepreneurial activity.

Traditional Development Approaches

A number of theoriests argue that traditional development efforts employing traditional strategies carried over from the Marshall Plan are the most appropriate way to respond to the "new directions" objective. These approaches only need minor alterations in focus and emphasis to benefit the poorest segments of a society.

Infrastructure development. Some development theorists, such as Hollis Chenery, have recommended a reorientation of capital formation from large-scale infrastructure to investments that will relate directly to the poor, i.e., education, health, and sanitation. Increased productivity and income of the poor will raise the income of society at large, "trickling up" the social strata gradually redistributing assets so that all will share in the benefits of long-term growth.[37] But to most "new directions" idealogues, infrastructure development of any sort is a bad word. It conjures up images of massive construction efforts, administered and financed by foreigners, that end up increasing income disparities or ultimately fall into disrepair. These images are a result of experiences when very little data on income distribution effects were available.

The Agency for International Development provides a good example of how attitudes have changed toward infrastructure development since the "new directions" mandate. In 1978, Congressman Charles Diggs, chairman of the Subcommittee on Africa, commented that the agency has overemphasized the basic needs policy to the point of obscuring "the need for infrastructural support...." A former mission director for Tanzania agreed that this had harmed the agency's program, and that he had not been able to entertain reasonable requests from that government that would have been conducive to development for various infrastructure activities such as agricultural research stations, rural training centers, and farm-to-market roads. He added that: "Situations like this occur all over Africa and to meet basic human needs there must be basic infrastructure."[38] As this testimony indicates, there are places in the world where, in the absence of infrastructure investments, little can be done regardless of the level of participant motivation, involvement, or basic needs efforts. By now we should know more than we did in the late sixties as to how to target infra-

structure investment so that it will benefit the rural poor.

Institution-building. Support for institution-building has not totally evaporated. The Brookings Report, prepared by Lester Gordon in 1977, stated:

> What is lacking are sufficient American institutional bases, in and out of government, to help develop research and development institutions in the developing nations and to carry out relevant research and training activity here.[39]

While the choice of a strategy to alleviate poverty is the prerogative of the host country, the report went on to say, the development priority of the United States as a donor should be to strengthen institutional capabilities of developing nations to design appropriate technical solutions to problems in their environment.

When institution-building went out of vogue in the early-sixties, the problem was not the concept but that activities stopped short of the desired objectives. Although institutions were built, the anticipated results rarely occurred. Qualified personnel were difficult to obtain and supporting agencies lacked resources. More importantly, incentives to ensure that the institutions were answerable to the groups they were founded to serve were not established. There were no information systems to monitor institutional performance and to ensure accountability between the institution and the intended beneficiaries.

Improved agricultural technologies. It is not accurate to say that efforts to improve agricultural technologies have been dropped since the "new directions" mandate. Today there are many agricultural research institutions located throughout the developing world, internationally staffed, and well-funded. Their failure has been to customize the research findings to suit small farmer requirements. Incentives are needed, here also, to ensure that this happens, so the national and subnational institutions are accountable to the rural poor.

CONCLUSION

So here we are today. Heady with success of Marshall Plan economic assistance, we assumed the same approach, with the addition of technical assistance, would work in developing nations. We hoped to spread democracy and the belief in capitalism. None of these things worked. The pendulum then swung to another extreme: development efforts were focused on steps to exclusively benefit the rural poor. The slogans changed and a plethora of new

approaches were created to respond to the "new directions" objectives. But arguments supporting the adoption of "new directions" legislation were scarce when it came to documenting the need for a new strategy. Although there were some case studies suggesting that income disparities were widening as a result of the traditional development approaches, there was insufficient evidence to suggest these cases were representative of the situation overall. In short, the development community was launched in a new direction without ever systematically evaluating past efforts. In the following chapter an attempt will be made to assess the effectiveness of traditional development strategies in reducing poverty.

NOTES

1. For a review of the history of development thought, see John Stuart Mill, Principles, 5th London ed. (New York: Appleton and Co., 1978), Vol. 2; Thomas Malthus, Population: The First Essay (Ann Arbor: University of Michigan Press, 1959). For specific details on the historical background of the U.S. foreign assistance program, see Robert E. Asher, Development Assistance in DDII: The Recommendations of Perkins, Pearson, Peterson, Prebish, and Others (Washington, D.C.: The Brookings Institution, 1971), pp. 97-99; William C. Binning, "Program Budget Analysis of United States Foreign Assistance" Paper read at the International Studies Association Annual Meeting, March 1979, Toronto; Theodor Galdi, "Antecedents to Current U.S. Economic Aid Programs," Mimeographed (Washington, D.C.: Library of Congress, Congressional Research Service, n.d.)

2. For an interesting personal account of the Marshall Plan, see Theodore H. White, In Search of History (New York: Warner Books, 1979), pp. 263-307.

3. Ibid., p. 304.

4. Galdi, "Antecedents," p. 3.

5. Ibid., pp. 1-7.

6. Samuel P. Huntington and Joan M. Nelson, No Easy Choice: Political Participation in Developing Countries (Cambridge: Harvard University Press, 1976), pp. 17-20.

7. Report of a Conference on the Implementation of Title IX of the Foreign Assistance Act, June-August 1968, The Role of Popular Participation in Development, MIT Report No. 17 (Cambridge: MIT Press, 1968), pp. 1-16; U.S. Congress, House, Committee on Foreign Affairs, Report No. 15,750, 89th Cong. 2d sess., 1966, Title IX.

8. U.S. Congress, Senate, Committee on Foreign Relations, Hearings on S. 588 and S.Res. 92, 96th Cong. 1st sess., 1979, p. 46.

9. Huntington and Nelson, No Easy Choice, p. 20.

10. L.M. Lance and E.E. McKenna, "Analysis of Cases Pertaining to the Impact of Western Technology on the Non-Western World," Human Organization 34:1 (1975): 87-94.

11. W.W. Rostow, "The Take-off into Self-Sustained Growth," Economic Journal 66 (March 1956): 25-48.

12. R.F. Harrod, Towards a Dynamic Economics (London: Macmillan & Co., 1948); Evsey Domar, "The Problem of Capital Formation," American Economic Review 38 (December 1948): 777-794; W.W. Rostow, Politics and the Stages of Growth (Cambridge: At the University Press, 1971); Max F. Millikan and W.W. Rostow, A Proposal Key to an Effective Foreign Policy (New York: Harper & Brothers, 1957).

13. For a discussion of these issues, see Warren F. Ilchman and Ravindra C. Bhargava, "Balanced Thought and Economic Growth," Economic Development and Change 13 (1966): 385-399; F.M. Hayward, "Political Participation and Its Role in Development: Some Observations Drawn from the African Context," Journal of Developing Areas 7:4 (1973): 591-612.

14. Pan American Union, Alliance for Progress: Official Documents Emanating from the Special Meeting of the Inter-American Economic and Social Council at the Ministerial Level (Washington, D.C., 1961), pp. 3, 10, 11; See also Gary L. Olson, U.S. Foreign Policy and the Third World Peasant (New York: Praeger Publishers, 1974), pp. 108-114; Jerome Levinson and Juan de Onú, The Alliance That Lost Its Way: A Critical Report on the Alliance for Progress, A Twentieth Century Fund Study (Chicago: Quadrangle Books, 1970), pp. 5-33.

15. For details, see C. Wright Mills, The Power Elite (New York: Oxford University Press, 1956).

16. Popular books expressing the dissenting views of that time included: E.F. Schumacher, Small is Beautiful (New York: Harper & Row, 1973); Charles A. Reich, The Greening of America (New York: Random House, 1970); Rachel Louise Carson, Silent Spring (Boston: Houghton Mifflin Co., 1962).

17. For an interesting discussion of this point, see Daniel P. Moynihan, Maximum Feasible Misunderstanding (New York: The Free Press, 1969).

18. To this day the debate over the efficacy of traditional methods continues: "The question needs to be raised if actions taken to reduce income inequalities necessarily improve the lot of the poor in the long run. The validity of this proposition cannot be taken for granted." Bela Balassa and Richard Nelson, eds., Economic Progress, Private Values and Public Policy (Amsterdam: North Holland, 1977), pp. 217-272.

19. John M. Cohen and Norman T. Uphoff, Rural Development Participation: Concepts and Measures for Project Design, Implementation and Evaluation (Ithaca, New York: Cornell University, 1977), p. 299.

20. For two of the best statements of this phenomenon and the reasons for it, see Keith Griffin, "Policy Options for Rural Development," Paper read at the Ford Foundation Seminar on Rural Development and Employment, 9-12 April 1973, at Ibadan, Nigeria; Carl H. Gotsch,

"Technical Change and the Distribution of Incomes in Rural Areas," American Journal of Agricultural Economics 54 (1972): 326-341. For a global treatment of the dynamics of the income phenomenon, see Montek S. Ahluwalia, "Income Inequality: Some Dimensions of the Problem" in Redistribution with Growth, eds., Hollis Chenery et al. (London: Oxford University Press, 1974), Chapter 1; Irma Adelman and Cynthia T. Morris, Economic Growth and Social Equity in Developing Countries (Stanford: Stanford University Press, 1973).

21. For a history of the development of the new foreign assistance priorities and the individuals responsible, see Ellen Ziskind Berg, "The 1973 Legislative Reorientation of the United States Foreign Assistance Policy: The Content and Context of a Change," (Master's Thesis, George Washington University, 1976).

22. Robert McNamara, "Address to the Board of Governors," Paper read to the Board of Governors of the World Bank, 24 September 1973, at Nairobi, Kenya, pp. 14, 16.

23. U.S. Congress, Senate, Committee on Foreign Relations, Legislative History of the Committee on Foreign Relations 88th, 89th, and 90th Congresses, 93d Cong. 2d sess., January 1974, p. 11; U.S. Congress, Senate, Committee on Foreign Relations, Legislative History of the Committee on Foreign Relations, Ninety-First Congress, 92d Cong. 2d sess., February 1972, p. 20.

24. The 1973 Amendments to Chapter 1, section 102 of the Foreign Assistance Act of 1961; U.S. Congress, House, Committee on International Relations, Report on Implementation of Legislative Reforms in the Foreign Assistance Act of 1973, 94th Cong. 1st sess., 22 July 1975, pp. 5, 6, 66, 74.

25. Akhter Hameed Khan, Ten Decades of Rural Development: Lessons from India, MSU Rural Development Paper No. 1 (East Lansing: Michigan State University, 1978), p. 42.

26. Paul Streeten, The Limits of Development Research (Oxford: Pergamon Press, 1975), p. 3.

27. Griffin to E.R. Morss, 26 February 1979, Personal Papers.

28. Denis Goulet, "Development as Liberation: Policy Lessons from Case Studies," IFDA Dossier (3 January 1979): 1-16.

29. James H. Weaver et al., "A Critical Analysis of Approaches to Growth and Equity," Mimeographed (Washington, D.C.: American University, 1979), pp. 13-17.

30. Nural Islam, "North-South Economic Cooperation," Development and Change 8:2 (April 1977): 249-255; Mahbub ul Haq, "A View from the South: The Second Phase of the North-South Dialogue," in The United States and World Development Agenda 1979, eds., Martin M. McLaughlin et al. (New York: Praeger Publishers, 1979) p. 115.

31. See, for example, Elliott R. Morss et al., Strategies for Small Farmer Development, 2 vols. (Boulder, Colorado: Westview Press, 1976).

32. Agency for International Development, A Strategy for a More Effective Bilateral Development Assistance Program: An A.I.D. Policy Paper, March 1978, p. 1; U.S. Congress, House, Committee on International Relations, Hearings and Markup Part 9, 95th Cong., 2d sess., 1978, p. 161.

33. Paul Streeten, The Distinctive Features of a Basic Needs Approach to Development [World Bank] Basic Needs Papers: No. 2 (Washington, D.C., 10 August 1977), p. 1; Paul Streeten and Shahid Javed Burki, Basic Needs: Some Issues, World Bank Reprint Series No. 53 (Washington, D.C., 1978), pp. 411-421.

For a thoughtful attempt to measure in quantitative terms progress in basic needs, see James P. Grant, Disparity Reduction Rates in Social Indicators, Overseas Development Council Monograph No. 11 (Washington, D.C., 1978); International Labour Organisation, Employment, Growth and Basic Needs: A One-World Problem (New York: Progress Publishers, 1977).

34. Emmerij points out that it took some time until development theorists realized "that the danger in the elaboration of an employment-oriented development model was of the same order as the one inherent to the conventional development model with its overemphasis on the rate of economic growth." Employment is not the end of the development process; it is only a means of earning an income which is necessary in order to satisfy more important objectives. Thus viewed, employment generation became linked to the broad issues of poverty and equity and to "the satisfaction of an absolute level of basic needs for the entire population, including the poorest segment." L. Emmerij, "Alternative National Development Strategies," Paper read at the Development Policy Seminar for UNDP Executives, 26 October - 6 November 1981, at The Hague, p. 11.

35. Charles F. Sweet, "Perspectives on the Process Approach to Rural Development," Paper read at the USAID African Agriculture Conference, 23 August 1978, at Ibadan, Nigeria, Mimeographed, p. 8.

36. M. Timpane, "Educational Experimentation in National Social Policy," Harvard Educational Review 40 (1970): 547-566, cited and paraphrased by John W. Evans in "Motives for Experimentation," Proceedings of Conference on Social Experiments, August 1974, (Washington, D.C.: National Science Foundation, 1975).

37. Weaver et al., "A Critical Analysis," p. 3.

38. U.S. Congress, House, Committee on International Relations, Subcommittee on Africa, Hearings, 95th Cong. 2d sess., 1978, p. 39; U.S. Congress, House, Committee on International Relations, Hearings and Markup, 95th Cong. 2d sess., 1978, p. 96.

39. U.S. Congress, House, Committee on International Relations and its Subcommittee on International Development, Rethinking United States Foreign Policy toward the Developing World: Hearings, 95th Cong. 1st sess., 4 August-12 October, and 1 November 1977, pp. 64, 178.

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3
An Appraisal of Traditional Development Strategies

Since 1973, the United States Agency for International Development, the World Bank, and other donors have focused much of their efforts on development strategies that would achieve a distributional objective, that is, assist the poorest members of society in developing countries. In doing this there is a presumption that there are more effective methods for attaining this objective than the development approaches employed in the past. This presumption is manifested in the increasingly restrictive administrative and legislative directives that have been developed since 1973 and in the approaches developed to achieve the new distributional objectives. The question of whether new approaches are needed to realize the growth with equity objective and, equally important, whether donor agencies are capable of implementing them has been given little systematic attention.

The last twenty-five years of development assistance have seen some remarkable advances. But according to Robert McNamara and others, it has not been very effective in reducing poverty: it is not that we do not know how to address the myriad problems associated with poverty, they claimed, we do. "We must design an effective overall development strategy that can both: Accelerate economic growth; And channel more of the benefits of that growth toward meeting the basic human needs of the absolute poor."[1] In this chapter development progress over the past twenty-five years will be assessed.

INDICATORS OF PROGRESS

During the past twenty-five or thirty years, the developing world overall has experienced greater changes than in their entire history. Social and economic well-being has increased, decolonization has occurred, and the number of independent nation-states has increased dramatically. In terms of economic growth, progress was spectacular and unprecedented. The GNP per capita for

developing nations as a group grew at an average rate of 3.4 percent annually between 1950 and 1975. This was faster than the developed nations had grown in any comparable period before this time and it exceeded all expectations, both private and official. The absolute number of people with adequate food supplies has increased and the number of calories available per capita seems to have increased, but because of population growth, it is not clear whether the proportion of total population in the Third World suffering from malnutrition is increasing, decreasing, or remaining constant. Health conditions have improved, and life expectancy in developing countries "increased in two decades by as much as it increased in the industrialized nations in a century...." Social and physical infrastructure have been transformed: schools, roads, railways, hospitals, ports, and power stations have been constructed. The number of pupils in primary schools trebled between 1950 and 1970, the number of students in secondary and tertiary education increased sixfold, and the proportion of literate adults increased from about one-third to about one-half of the population in the developing world. For many countries, the quality and quantity of housing has improved. Food production seems to have kept pace with the rapid population growth. And progress has been made toward economic independence in many developing countries. The manufacturing sector has begun to develop in all but the poorest countries, export products have been diversified, and foreign trade has expanded.[2]

While living standards have clearly improved and the record of economic growth is impressive, this is not the whole picture. Many critics of past development efforts have claimed they are inadequate, and that aggregate growth rates are misleading and mask the true situation in developing countries. They claim that high rates of economic growth have been accompanied by deteriorating trends in employment and income distribution, increases in the number of people living in absolute poverty,* an expansion of the dichotomy between the modern industrial sector and other economic activities, and a growing variation in development progress within the developing world with the poorest countries lagging well behind the rest.**

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*Persons living in absolute poverty are normally defined as those people who are unable to obtain adequate food, clothing, and housing, access to safe water, decent sanitation, health facilities, and primary education. In 1975, it was estimated that more than 700 million people scattered throughout the rural areas in South and East Asia and Subsaharan Africa were living in absolute poverty.[3]

**The Overseas Development Council maintains that the gap

Considering the extent of the debate concerning the efficacy of development strategies attempted in the last quarter century, it is remarkable how few empirical assessments have been made of the progress during this period. The International Labour Office[5] has prepared a few case studies of individual countries, but because of the difficulties of finding and analyzing data for a broad sample of countries, very few comparative assessments have been attempted. Fortunately, David Morawetz recently completed a thorough review of available data on development progress over the last twenty-five years.* His study examined indicators that reflect contemporary concerns about appropriate development objectives, such as basic human needs, as well as economic and political progress. It focused on aggregate national data to measure growth in average per capita income and reduction in poverty.

He concluded that there had been significant development progress in less developed nations between 1950 and 1970 and that "growth was real and not simply statistical artifact." Using nine key indicators of development progress and the following code: a plus (+) indicating significant progress; a zero (0) indicating little or no progress; a question mark (?) indicating the data are too problematic to draw conclusions; and a minus (-) indicating a worsening situation, his conslusions are summarized in Table 3.1.

Before beginning a more general discussion about these indicators of development progress, there are a few technical points that should be mentioned. On the question of GNP per capita measurement, there is a problem with the traditional income measurement technique as Morawetz pointed out.

> ....India's per capita income estimated on the basis of purchasing-power parities comes out at more than $450, instead of $140 as conventionally measured.... As the per capita income of the country rises, the conversion factor

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between the Third World and the developed nations measured in terms of per capita incomes has actually widened in the last two decades. Per capita incomes in the Third World have gone from $132 to $597 between 1960 and 1980. For the same time frame they have moved from $1,407 to $6,468 in the developed world. Moreover, for the thirty-five poorest countries per capita income remains below $300 and prospects for the future are bleak.[4]

*The developing nations included in his assessment include all of Asia except Japan, North Korea, and Mongolia; all of Africa minus South Africa, and all of Latin America minus Cuba.

Table 3.1
Summary of Indicators of Development Progress, 1950-1970

On the Growth of GNP per Capita	+
On Population Growth	-
On Unemployment	0
On Income Distribution Measured by Relative Imporverishment	?
On Nutrition	?
On Health	+
On Housing	+
On Education	+
On National Independence	+

Source: Morawetz, Twenty-Five Years, pp. 12-14, 23, 36, 39-43, 45, 48, 51, 52.

> used to derive purchasing-power parity estimates...tends to fall. This is because the price of nontraded goods, mainly personal services, tends to be higher in rich countries than in poor ones, and it explains why the use of conventional estimates significantly overstates the size of the gap between rich and poor nations.[6]

A second technical point has to do with the reduction of absolute income differentials between developed and developing nations. It is unrealistic to hope for this for the indefinite future because:

> ...a poor country growing faster than a rich one will not even begin to reduce the absolute gap between them until the ratio of their per capita incomes is equal to the inverse ratio of their growth rates.[7]

To elaborate this point further, assume that per capita income in 1976 in the United States was $7,880 and in India was $140, and that the rate of growth in the United States was 1.7 percent between 1970 and 1976. Based on an absolute rate of growth of $134 per year in the United States, India's rate of growth will have to increase 96 percent annually in order for absolute income disparities not to increase between the two countries. From this it should be clear that absolute inequalities will necessarily widen for some time to come.

ANALYSIS OF THE EMPIRICAL EVIDENCE

In order to assess the efficacy of alternative development approaches, policies, and strategies and to formulate future policies, available empirical evidence of development efforts needs to be analyzed. Although Morawetz concentrated on providing the empirical evidence, he did refer to several analytical studies and reached the conclusions summarized below.

Economic Growth

> ...the blame can hardly be laid at the door of economic growth, for the list of countries in which some groups may have experienced absolute impoverishment includes at least as many slow growers as fast ones. Indeed, in countries such as Pakistan, Bangladesh, India, and Indonesia only sustained and equitably distributed economic growth will make any sort of dent in their massive poverty in the foreseeable future.[8]

When so much emphasis is directed to the provision of basic needs and distributional considerations of development assistance, this is a timely statement. Economic growth means expanding employment opportunities. Unemployment means no wage income and hence means poverty in the developing nation. Consequently, to the extent that economic growth expands employment, it reduces poverty. The experience of Korea attests to how significant tailored growth can be in absorbing large increments in the labor force.[9]

To the extent that rapid economic growth is philosophically unacceptable because of undesirable side effects, attention should focus on population growth. Eugene Staley observed in 1954: that an explosive growth of population caused by modern health measures and by economic improvement is a grave danger to success in development.[10] Morawetz commented:

> Twenty-five years ago it was not expected that population growth would become such a large problem in developing countries.... The sharp surge was caused by the remarkable and largely unexpected success in reducing mortality, which, in turn, was brought about by higher standards of living, increased control of communicable diseases, and improved distribution of food in times of famine.[11]

Multiple regression analysis on a large cross-section of countries indicates in a fairly convincing statistical

fashion that in the long run increasing family incomes and education reduces fertility rates, while reducing income inequalities does the same. But in the short run, just the opposite appears to be the case. In the 1940s and 1950s, Sri Lanka introduced measures that significantly reduced child mortality rates. The resulting population increase led to a labor force expansion such that the country had the highest unemployment rate in Asia by the late 1960s. From an analytical perspective, the study of how national aggregates move is not particularly convincing. Micro analyses of family behavior, using both economic and social modelling, that have been done to date suggest that the provision of health, nutrition, and education to the rural poor will contribute, at least in the short run, to population growth.[12] Population growth leads to a rapidly expanding labor force, which in turn causes unemployment and poverty unless there is an antidote: economic growth. Putting the issue more forcefully, population growth will cause poverty if economic growth is not rapid enough to absorb the expanding labor force.

Asset Distribution and Income Inequality

Firstly, a note on the empirical record. As Table 3.1 indicates, it is difficult to reach any generalization concerning trends in the distribution of income or assets. There are few developing countries that have conducted comparable studies on the distribution of income and/or assets at different points in time. However, if one looks at the few countries for which such information is available, it appears that the group of countries in which differences in proportionate shares have widened is definitely a minority. Putting it differently, for most countries where comparable data are available, it appears that disparities have either been reduced or have not increased. This finding suggests that for the majority of developing countries, the first twenty-five years of development achievements were widely shared by all income groups.

A major theoretical debate has evolved concerning the influence of economic growth on the distribution of assets. Morawetz hypothesized that "the initial distribution of assets and incomes may be a crucial determinant of the trend in inequality" and that "the most powerful determinant in the income distribution is the underlying structure of the economy...." This suggests that it might be impossible to "grow first and redistribute later."[13] He further stated:

> From cross-section evidence it seems that income inequality increases in the early stages of development, but then begins to diminish after a per capita income of from $500 to

> $1,000 is reached...even if cross-section studies indicate that income inequality normally increases during the early stages of the development process, a country that follows policies different from those pursued by most nations in the past...may be able to avoid or at least partly neutralize this stage.*[14]

By putting these two hypotheses together, rather than through empirical analysis, a revolutionary requirement for effective development assistance is gingerly supported. While a respectable body of scholars feels that a radical redistribution of assets and incomes is mandatory before the "new directions" objectives of growth with equity can be achieved,** other respected scholars disagree. Gustav Papanek, for example, asserted that:

> ...all the evidence is that growth, and especially rapid growth, increases the absolute income of the poor even without specific policies to benefit lower income groups.[17]

At the risk of gross oversimplification, a cursory analytical exercise is offered that relates to Morawetz's

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*Cline did a survey of the literature on the effects of growth on development and concluded: "...the literature concerning income distribution in developing countries contains a number of approaches arguing that distribution becomes more unequal with growth.... None of these approaches is convincing, except for the modest proposal that inequality is likely to increase after the very earliest subsistence stage once a surplus arises for some group to appropriate. On the contrary, it seems more reasonable to postulate that particular policies, combined with the inherited social structure make income highly unequal in some LDC's while alternative policies and structure make it more even in others, but that there is no inexorable theoretical basis justifying a worsening of the distribution in the course of development."[15]

**A recent study concerning the relationship between the size distribution of income, employment, and the structure of economy of four Asian countries (Korea, the Philippines, Iran, and Malaysia), supports this view. Using a semi-closed input-output model the authors concluded it is necessary to have a reorientation of economic policies which includes radical asset redistribution focusing primarily on land, followed by accumulation of human capital and creation of skills, and the development of labor intensive export oriented industries. They also concluded radical agrarian reform was a prerequisite for an egalitarian distribution in rural areas.[16]

quotes. It begins by determining what lower-income countries have been the best performers in terms of annual percent increase in real GNP per capita over the last twenty-five years (1950-1975).

In Table 3.3, countries from Table 3.2 for which income distribution data exist are ranked in accordance with that data. Specifically, countries are ranked by the percentage of GNP going to the lowest 20 percent of households. The following coding is used: a plus (+) indicates that, in comparison with an earlier income distribution study, there has been a movement towards equalization; a minus (-) indicates the opposite. Thailand, Korea, and Taiwan have the following characteristics. They

1. Received large amounts of foreign assistance;
2. Welcomed private foreign investment;
3. Encouraged indigenous entrepreneurial capabilities;
4. Established stable political systems;
5. Formed labor-intensive export industries; and
6. Pursued agricultural strategies based primarily on the production of smallholders.

Brazil and Jamaica are quite similar to Taiwan, Korea, and Thailand on the first four items. However, neither country has redistributed land to smallholders, and export promotion activities have not focused on labor-intensive products. Critical development strategy decisions are now being made in Sudan and Botswana that will affect their growth and distribution patterns. Neither of these countries has had significant agrarian reform.

The evidence cited here is suggestive, but far from conclusive. It appears that, in countries where agricultural land is held primarily by small farmers, both traditional and targeted development efforts will benefit small farmers. In countries where a significant portion of agricultural land is held in large blocks, the situation is less clear. While politicians are increasingly coming to realize that assisting small farmers can result in a new political support base, their tolerance for politically decentralized decisionmaking is uneven. Moreover, land reform takes time, causes disruptions and often physical violence, and usually results in a reduction in production for a number of years. These costs should be measured against the expected benefits.*

*Morawetz favored maintaining the status quo. He stated: "The historical experience suggests that political stability, of whatever ilk, and stability of the economic

Table 3.2
Countries with the Most Rapid Growth in GNP per Capita, 1950-1975[a]

Country	Percent Increase in GNP per Capita
Swaziland	7.0
Taiwan	5.3
Korea	5.1
Jamaica	4.7
Malta	4.6
Barbados	4.3
Angola	4.2
Brazil	3.7
Trinidad and Tobago	3.7
Thailand	3.6
Sudan	3.3
Jordan	3.3
Botswana	3.1

Source: Morawetz, Twenty-Five Years, pp. 19, 20.

[a]This list does not take into account the effects that regional distribution of poverty might have on growth. The poverty level, for example, is much worse in Asia than in Latin America. Nor does the list include major oil producers, European countries, or China.

Table 3.3
High Growth Countries Ranked by Income Inequality

Country	Years of Study	Share of Lowest 20 Percent
Taiwan	(72)	8.8+
Korea	(71)	7.2-
Thailand	(70)	6.0+
Sudan	(63)	5.0
Brazil	(70)	3.2-
Jamaica	(58)	2.2
Botswana	(72)	1.6

Source: World Bank, World Tables the Second Edition (Baltimore: The Johns Hopkins University Press, 1980), pp. 460-465.

Finally, the new targeted approaches do not yet have track records; it will not be until the mid-eighties before we have a clear idea of their potentials and the relative abilities of different institutions to implement them.

During the 1950 to 1975 period, traditional development approaches were quite effective overall in eliminating poverty in developing countries. Beyond this nearly everything is conjecture. In this regard, it is extremely disturbing to see development assistance agencies focusing all their efforts on a new approach wherein the primary objective is to help the poorest segments of developing nations. Putting the point somewhat differently, little empirical evidence appears to support a wholesale repudiation of more traditional approaches simply because a limited number of country case studies document certain distributional shortcomings. It is quite clear that the traditional approaches yielded impressive results at a time when distributional considerations were not paramount. It is quite possible (at least it has not been proven otherwise) that the traditional approaches could yield impressive results vis-a-vis the distributional objective if they were tailored to this end.

CONCLUSION

The purpose of this chapter has not been to reach definitive conclusions concerning the first twenty-five years of development assistance. It does, however, suggest that there were some impressive results; certainly the results were not bad enough to warrant the widespread repudiation of traditional development approaches that did take place.

An attempt will be made in the last chapter to draw some conclusions about the efficacy of old and new approaches. But before getting to that, the next few chapters will look more closely at the mechanisms by which development projects, whether old or new style, are developed and implemented by foreign donors. Certainly, an understanding of these dynamics might be more useful in explaining why certain initiatives work while others do not than a focus on alternative development strategies *per se*.

'rules of the game' may be an important and underrated determinant of economic growth."[18]

NOTES

1. Robert McNamara, "Address to the Board of Governors," Paper read to the Board of Governors of the World Bank, 26 September 1977, at Washington, D.C., p. 12.

2. John W. Sewell et al., eds., The United States and World Development Agenda 1980 (New York: Praeger Publishers, 1980), pp. 2-4; David Morawetz, Twenty-Five Years of Economic Development, 1950 to 1975 (Washington, D.C.: World Bank, 1977), pp. 12-14, 23, 48, 51, 52, 65; World Bank, Prospects for Developing Countries, 1978-85, (Washington, D.C., 1977), pp. 5-7.

3. World Bank, Prospects, p. 9.

4. Sewell et al., eds., The United States, pp. 3, 146.

5. See, for example, Felix Paukert, Jiri Skolka and Jef Maton, Income Distribution, Structure of Economy and Employment (London: Croom Helm, 1981); Alejandro Foxley, ed., Income Distribution in Latin America (Cambridge: At the University Press. 1976); International Labour Office, Tripartite World Conference on Employment, Income Distribution and Social Progress and the International Division of Labour, Vol. 1 (Geneva, 1976).

6. Morawetz, Twenty-Five Years, pp. 4-5.

7. Ibid., pp. 27-28.

8. Ibid., p. 43.

9. D.C. Rao, Economic Growth and Equity in the Republic of Korea, World Bank Reprint Series No. 52 (Washington, D.C.), pp. 384-385.

10. Eugene Staley, The Future of Underdeveloped Countries (New York: Frederick A. Praeger, 1961), pp. 273-285.

11. Morawetz, Twenty-Five Years, p. 23.

12. Research Triangle Institute and SECID, "Rural Development Programs and Their Impact on Fertility: State of the Art," Paper prepared for the Agency for International Development, June 1979, at Washington, D.C.

13. Morawetz, Twenty-Five Years, p. 41.

14. Ibid., pp. 38-39.

15. William R. Cline, "Distribution and Development: A Survey of Literature," Journal of Development Economics 1:4 (1975), p. 374.

16. Felix Paukert, Jiri Skolka, and Jef Maton, Income Distribution, p. 106.

17. Papanek to E.R. Morss, 6 March 1979, Personal Papers. Other works that support this point of view include: Y. Ramati, ed., Economic Growth in Developing Countries (New York: Praeger Publishers, 1975); Z. Griliches et al., eds., Income Distribution and Income Inequality (Frankfurt: Campus Verlag, 1978).

18. Morawetz, Twenty-Five Years, p. 72.

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4
Differing Agendas

It is naive to think that the major actors involved in the identification, design, and implementation of development activities are primarily motivated by a desire to help the intended beneficiaries. The motivation to help others certainly plays an important role in getting and keeping people involved in development. However, there are also other forces at work. The purpose of this chapter is to illustrate how these forces lead to differing agendas among key actors which can seriously interfere with the attainment of development goals.

AGENDAS OF DEVELOPING NATIONS

It is somewhat artificial to talk about the goals and motivations of Third World governments as a single entity: different governments have different goals, and within each government, bureaucratic and political dynamics are at work. Nevertheless, there are some generalizations that can be made about how these governments view different types of foreign assistance.

Macro Political/Economic Agendas

The first important generalization is that the governments of developing countries are not interested in collaborating with foreign donors on the formulation and implementation of development strategies. They will do so if it is absolutely required, but they prefer to have the freedom to make their own development strategy decisions and not to have to worry about whether their development philosophy is compatible with that of a potential donor. More specifically, these governments prefer two types of foreign assistance above all others:

1. Untied hard currency grants; and
2. Preferential (or at least neutral) trading agreements for their exports with foreign donor countries.

Untied hard currencies that come in grant form are sought because recipient nations want maximum flexibility in determining how to use foreign currencies available to them. Precisely defined development strategies are acceptable, but when fuel and food shortages occur, they do not want to be locked into purchasing land rovers, prefab warehouses, or technicians from foreign countries. As regards the second point, developing nations want the opportunity to sell in foreign markets on favorable terms; they do not want to be constrained by trade barriers. Consequently, foreign assistance that takes the form of preferential trade agreements will also be highly regarded by the governments of developing nations. Yet few foreign donors are willing to offer untied monies or preferential trading agreements because foreign aid is rarely based on the stated needs of potential recipients.

The recurrent expenditure debate. In the area of designated or "earmarked" foreign aid, developing countries want support for recurrent expenditures. However, for reasons that, when assembled, make little sense, support for recurrent expenditures has been eschewed by foreign donors, even though recurrent expenditures should increase as a concomitant of development. Conventional financial analysis distinguishes between expenditures that add to asset value on the balance sheet and those that do not. It is considered acceptable to incur liabilities that increase asset values, where asset values are usually defined as physical assets that are attachable as collateral against loans that come due. Government expenditures are normally broken out under two major headings: recurrent and capital, where the latter are defined as expenditures that add to physical asset values. In something of a far-fetched analogy, it has been deemed acceptable to borrow to finance capital expenditures, but not recurrent expenditures. Although this "bricks and mortar" concept of finance has been widely attacked[1] as an inappropriate way to analyze public sector activities, the popular belief that recurrent expenditures are not "bankable" has been at least part of the reason that foreign donors have been reluctant to support these expenditures.

Recently, a new breakout of expenditures has come into vogue: recurrent (current) and development. Development expenditures are intended to be more closely related to development initiatives, but many of the old conceptual weaknesses remain. For example, if one is building a road, the equipment and materials to construct the road might be included as development expenditures, whereas the wage and salaries for the labor to construct the road remain in the recurrent expenditures category. New education initiatives might be seen as an investment in the human resources of the country, but only the costs of construction to house education activities (not teachers' salaries) would qualify as development expenditures.

Foreign donors are also reluctant to support recurrent expenditures on grounds that such expenditures go for consumption, as distinct from investment and are never-ending, i.e., are recurrent. Although certain recurrent expenditures are absolutely essential to the realization of a significant portion of the benefits of what are classified as development expenditures, this point of view dominates. In addition to wages and salaries, recurrent expenditures include the bulk of operating and maintenance outlays, e.g., petroleum purchases. Roads may be built, but they will depreciate at a rapid rate if governments do not have the resources to maintain them. Likewise, there is no point in building schools, dispensaries or extension facilities if the government cannot afford the people and supplies to maintain them. To give a concrete example of the extreme imbalances that can result, Tanzania is losing ground on its goal to provide potable water to all its citizens. The rate of new installations is falling behind the breakdown rate of existing installations because recurrent funds to support maintenance activities are inadequate.[2]

While support for recurrent expenditures ranks relatively high on the preference list of developing countries, the absence of foreign donor support cannot be blamed on the donor organizations alone.* It is not nearly as exciting to talk of rehabilitation when one has the opportunity to talk about new and better development initiatives. This phenomenon is as widespread among politicians of developing nations as it has been over the years among politicians of developed nations.

The International Monetary Fund. To this point we have talked about types of foreign assistance that most developing nations would gladly accept. We turn now to types of assistance for which there is less ready acceptance. It is here where one has greatest problems understanding what is meant operationally by the exhortation to collaborate with host country governments.

Assistance from the International Monetary Fund entails considerable collaborative effort. Under Fund procedures, a certain proportion of a country's total line of credit is provided almost automatically upon request by that country. These monies, which are provided on favorable terms, fall into the desirable types of assistance categories discussed above. Beyond a certain point, however, the country must agree to terms specified by the Fund which are intended to bring the country's balance of payments back into equilibrium. Commonly, these restric-

*Indeed, Norway has recently agreed to provide support for recurrent expenditures, providing its support will constitute a decreasing portion of such expenditures through time.

tions involve curbs on the rate of expansion of the money supply, increased taxes, reduction in the rate of increase in government expenditures, a reduced reliance on price controls, controls on foreign trade, and devaluation. All of them can have painful political and economic repercussions domestically. Unlike the treatment afforded other foreign donors, it is common for government leaders to publicly lambaste the Fund on both technical and ideological grounds. But these political objections -- which at times become quite vitriolic -- should not be taken at face value for there is nearly always a tacit agreement between government officials and Fund staff that the Fund will serve as the "scapegoat" for necessary, unpopular policy actions. Thus, politically, the Fund can be extremely useful to the leaders of developing countries by providing the rationale for the adoption of policies that the leaders could not afford to adopt by themselves because of adverse political consequences. Of course, this is not to suggest that the restrictions associated with second and higher tranche drawings from the Fund are popular; they are not. Governments usually prefer to use a money supply expansion to higher taxes as a means of financing higher expenditures.* However, Fund assistance is usually untied once a stabilization program has been agreed to, and this makes it a relatively desirable form of foreign assistance. Certainly, it is far more desirable than the denunciations of Third World leaders would suggest.

Political Strategies

Once past the types of assistance described above, collaboration is needed between donors and recipients of foreign assistance to resolve fundamental conflicts in objectives between the two groups. As discussed earlier, the developing country wants to get as much cheap, untied money as it can. Knowing that political factors enter into donor motivations, developing nations have often attempted to play countries of the Eastern Bloc off against Western nations. India and Ghana, for example, played this game quite successfully in the 1960s. An even more successful mechanism for obtaining large-scale foreign assistance has been the threat of an invasion from a communist nation. Taiwan, South Korea, Thailand, and the Philippines have been the beneficiaries of tremendous U.S.

*And there are other legitimate criticisms that can be made of Fund restrictions. In the past, it has often been too restrictive, thereby contributing to political instability that often takes the form of a demagogue-military junta cycle. It also appears that different criteria are employed in working out stabilization programs in different countries.

largess to stave off alleged threats of invasion from communist countries. The most recent successful tactic employed by nations in search of foreign aid is to threaten to go to war among themselves. The amount of "bribe" money that Egypt and Israel are in line to receive for not resuming their war dwarfs the remainder of the U.S. foreign assistance program.* Of course, such gambits can also be played with Eastern Bloc countries. Russia is currently underwriting Cuba's defenses against invasion from Western nations. But most developing nations do not have strong political cards they can play; negotiations for foreign aid are more commonly dominated by other, non-political priorities and considerations of both donor and recipient nations.

AGENDAS OF DONOR NATIONS

The rationales motivating the provision of development assistance are vast, extending from humanitarian, moral or ethical motives to the furthering of various self interests.** In discussions of why countries offer foreign assistance, export promotion is one of several important reasons usually mentioned. Indeed, legislatures around the world are regularly told by the promoters of aid that a large fraction of what is offered will return in the form of export contracts. But export promotion is rarely single out as the most important motivation for foreign aid with perhaps the exception of Japan. The export promotion argument is usually made on the basis of goods and not services. However, foreign aid has served as the vehicle for exporting a significant amount of services, and the export of these services is an important reason for the resiliency of public foreign assistance.

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*In 1979 the total economic assistance provided by the U.S. to foreign nations was $6,918 million, of which $1,982 million were in security supporting assistance. That year Egypt received $884.8 million in economic assistance, including $835 million in security supporting assistance; Israel received $790.1 million in economic assistance, of which $785 million were in security supporting assistance.[3]

**The Development Assistance Committee has recently included another underlying reason why their members give aid to Third World nations: the need to maintain a viable, global system. Since the 1960s there has been an increasing awareness of the finiteness and increasing interdependence of global systems. It is in the interests of the donor nations, they argue, to provide aid in order to halt environmental degradation and the growth of global population, to bring into balance food and energy demand and supply, and to maintain viable monetary, financial, and trading systems.[4]

Most developed nations and many developing countries have, over the years, generated surplus technical personnel; placing these people in overseas assignments mitigates their domestic unemployment problem. The most extreme case is India. There are simply not enough new jobs requiring high technical skills in India to absorb the ever-increasing technically qualified labor pool in that country. The Indian government has been quite successful in placing these technicians throughout the United Nations family of organizations and in many responsible government positions throughout Africa and Asia. While recently in Tanzania, we were surprised to find an Indian foreign assistance office located in Dar es Salaam. Further inquiries suggested the office pays for itself in terms of job creation: 40 percent of the engineers in the Tanzanian Ministry of Public Works are citizens of India.

The promotion of U.S. technicians overseas also has been very successful. In all the bilateral country programs examined, U.S. technical assistance was paid for out of grant monies regardless of whether the other components of the AID package were grant or loan funded. Historically, this funding pattern can be accounted for partially by the expansion of the land-grant universities, which graduated more agricultural technicians than the American labor market could absorb. Not surprisingly, these agricultural specialists were the first American technicians that were actively marketed abroad by the U.S. foreign assistance program. Then, as a result of increasing political power of the community development and cooperative movements in the United States, technicians from these fields were also promoted abroad, and engineers have been popular since the days of Sputnik when the first major excess supply of such scientists was generated in the United States. Most recently, anthropologists, whose job prospects are extremely limited domestically, have gained favor as technicians for overseas work. While it can be argued that the demand for technicians is a natural result of the evolution of development ideas, it can also be said that Congress is well aware of the contribution of foreign assistance to the U.S. service sector.

Promotional efforts for U.S. technicians often go far beyond the fact that these persons are financed entirely out of grant monies. In most U.S. bilateral assistance packages, recipient nations are pressured into taking a certain number of expatriates; it takes a strong will to resist the plethora of technicians that AID would like to send. Some countries, such as Ghana, Colombia, and Nepal, are increasingly resistant to taking on large numbers of foreign technicians while others accept this as a necessary condition to obtaining U.S. foreign assistance.

Exporting Development Goals and Strategies

While developing nations do not like to accept expatriates that are seen as unneeded, or to buy American trucks, they understand the self-interested motivations leading to these restrictions. It is less easy for a government to understand why it must adhere to particular development objectives and strategies as a prerequisite to receiving development assistance from certain donor nations. Consider, for example, the insistence on the part of the U.S. government that its bilateral assistance program focus on helping the rural poor. A developing nation might justifiably wonder why the American government should be so insistent on such a targeted approach and the implicit assumptions about development mechanisms contained therein. Why should a developing country be concerned about distributional issues when the donor country pressing such concerns has pursued very different, and seemingly successful, development strategies? Development accomplishments of the past have been accompanied by large-scale exploitation of the population; there are few instances where rapid development occurred by initially favoring the least well-off members of society. Since there is little empirical evidence to suggest that such an approach will work, and the countries promoting such approaches followed quite different growth strategies themselves, developing countries often view this concern, like concerns about environmental degradation, as issues that only the affluent have the time for and can afford.

Like the distributional issue, other more specific development "fads" of donor nations are often viewed with a combination of anger and amusement in developing countries. As a case in point, consider the appropriate technology movement. As a tautology, it is impossible to argue against appropriate technology: appropriate technology is appropriate. However, the movement has taken on certain colorings in the West that can legitimately be questioned. Appropriate technology, according to many of the leading donors, is small, simple, and cheap technology. It should be developed "indigenously," with outsiders serving a catalytic role only. This view of appropriate technology is understandably intolerable to officials in some developing countries. Since Western societies benefited immeasurably from the utilization and sale of advanced technology, the leaders of developing nations can see little reason why these technologies should be withheld from them, unless it is just another attempt on the part of the developed world to exploit them. Although some Western technologies might be inappropriate for use in developing nations, it is about as difficult to gain acceptance on this point as it has been to convince the American people today that oil shortages

are anything more than a conspiracy on the part of the oil companies.

The curtailment of population growth and the role of women in development are two further Western-inspired trend-setting concerns that are not wholly compatible with the development philosophy of poorer nations. While to most Western-trained development specialists the arguments for giving primary concern to slowing the rate of population growth in most developing nations are unassailable,[5] it is also clear that the leaders of these nations frequently have serious political problems promoting population programs. The arguments for giving specific focus to the role of women in development make no more sense than does ignoring their roles in formulating development strategies. Whatever the rights and wrongs of the issue, the concern over the role of women as reflected in the programs of major donors is simply not compatible in many instances with the objectives of developing countries.

Political and economic interests of donor countries are usually reflected in the foreign assistance packages offered, regardless of whether the aid is provided directly or through multilateral institutions. Moreover, these foreign assistance goals and the methods employed to obtain them often conflict with the interests and goals of developing nations. Among all the donors, perhaps the Scandinavian countries come closest to offering the types of foreign assistance most desired by developing nations. They provide assistance to a select number of recipients that appear to share their socialist philosophy of development. While aid usually goes out under programmatic headings, recipient countries are given considerable latitude to spend the monies as they see fit.* In contrast, the U.S. foreign aid program has become unique in its potential to irritate the leaders of developing nations. Not only is it exceptionally inflexible in terms of how funds are to be used, it is also unique in terms of specifying objectives and means of achieving them. In such circumstances, extensive collaboration is needed if any match is to be found between what AID monies can be spent on and what recipient countries need.

The Conflict over Domestic Economic Policies

Donor and recipient countries are also likely to have differing agendas when it comes to the macro economic policies the recipient country should follow. Donors are generally committed to the existing international

*Interestingly enough, untied aid is frequently criticized by the Scandinavian technicians working in the recipient developing countries. They feel the aid would be more effective if the uses to which it was put were clearly specified.

financial arrangements, which will only continue to function smoothly so long as countries live pretty much within their means. If a developing country runs a large balance of payments deficit, the donor country's preferred solution would be restrictive domestic monetary and fiscal policies to curb aggregate demand. The developing nations, on the other hand, want to maximize resources for development and consumption; tight monetary and fiscal policies are likely to thwart these goals and be politically unpopular.*

INTERNAL GOVERNMENTAL AND BUREAUCRATIC DYNAMICS

As was mentioned at the outset of this chapter, it is somewhat misleading to talk of donors and recipient countries as if they were homogeneous entities in conflict. Within each entity there are groups of individual players driven by their own particular incentive structures. Some of these major subnational players will be discussed in the following paragraphs.

Governments of Developing Nations

The governments of developing nations do not differ in any fundamental sense from those of developed countries. That is, they consist of bureaucracies in competition for resources and power.[7] The competition extends both horizontally and vertically, i.e., across ministries at the central government level and between bureaucracies at different levels of government. At the central gov-

*The conflict between donor and recipient nations over domestic policies of the recipient has been the focus of a number of recent studies. One study investigating the formidable obstacles to eliminating poverty in Subsaharan Africa concluded that, although this area is a region of great diversity, there is considerable homogeneity within the region in the economic structure and "extraordinary" similarity in the types of policy problems relating to trade, industrialization, and rural development and the sorts of responses taken to resolve them. Governments have followed inappropriate domestic policies that do not respond to the economic difficulties, are not designed to maximize the use of existing resources, and have alienated donors. It concluded that both donors and African governments would need to change policies and attitudes before additional foreign aid was forthcoming or had the desired effects. Not everyone would agree what reforms in government policy are necessary, but the list would probably include: changes in exchange and trade policies, more efficient use of resources in the public sector, improved agricultural policies, and a long-term population plan.[6]

ernment level, a useful oversimplification is to think of there being four major groups of players. Firstly, there is the central bank, which financially is the most conservative institution in the country. Since its major objectives include maintaining the value of the country's currency against inflationary pressures and accumulating international reserves, central banks often align themselves with the International Monetary Fund in discussions regarding growth strategies. Secondly, there is the Ministry of Finance. This organization makes the final decisions on the allocation of government resources among the various claimants. In theory, the Ministry of Finance concerns itself with short-term financial matters while a third major organization, the Ministry of Development or Planning, deals with the allocation of resources for sensible, longer-term growth strategies. This puts the Ministry of Development or Planning in the position of negotiating with major donors, with the exception of the Fund, on issues pertaining to long-term development. In fact, what usually happens is the Ministry of Finance ends up making all the important decisions, since it has ultimate authority to sign checks. A fourth major group of organizations at the level of the central government seeking additional resources and opportunities to expand their responsibility and influence are the various line ministries: agriculture, education, defense, communication, roads, public works, etc. Among them, squabbles over jurisdiction are as pervasive as they are unproductive: the Ministry of Education claims that agricultural extension work should be its responsibility and not that of the Ministry of Agriculture, and the Ministry of Health attempts to wrestle the family planning program away from the Ministry of Education, and so forth.

It is critical to recognize the existence of these bureaucratic struggles, for without this understanding, one is not in a position to appreciate the seriousness of the problem of getting different ministries to coordinate their efforts. The reality is cutthroat competition rather than cooperation; the situation is similar to asking American Telephone and Telegraph to work cooperatively with IBM and COMSAT in the formulation of national and international communications planning for the future.

The bureaucratic dynamics mentioned above have been well-documented and foreign donors have tried various approaches to deal with their existence. For example, separate development entities have been established to deliver all government services into particular geographic areas that have been targeted for development; alternatively, efforts have been made to enforce coordination among these bureaucracies at the highest level of government. These various attempts at resolution have met with mixed results. The independent entities usually get closed down when the foreign aid stops, and high level

coordination is easily sabotaged by competing bureaucracies.[8]

In addition to the problems of the line ministries, developing countries usually have innumerable quasi-governmental institutions or public enterprises responsible for activities associated with development efforts. These organizations are distinguished from the line ministries in that they are supposed to raise a significant portion of needed revenues through fees and other types of charges. However, sufficient revenues are frequently not raised and the parastatals become a serious drain on the central government's budget. Because of their quasi-independent status they are not subjected to the detailed financial scrutiny that line ministries face, so even when they generate profits, it is difficult for the government to get them to release funds to deal with the most pressing government priorities. These entities, like the line ministries, are eager to expand their power and jurisdiction, thereby creating another problem in trying to achieve collaboration in development efforts.

There are problems vertically as well as horizontally. Open competition for power, resources, and control exists among different levels of government. In recent years, the popular movement in developing nations has been towards decentralization of government authority. Lower-level governments have been given nominal authority to administer development activities. In fact, they are often given impossible tasks; they have the responsibility for development without control over resources to carry it out. These resources remain under the discretion of the Ministry of Finance. To give an illustration, a large percentage of the national staff working on development projects consists of people seconded from various central line ministries. So long as these workers are paid by the line ministries and see their avenue of promotion as up through these ministries, the lower-level government official with the responsibility for making the development project work can expect minimum cooperation from these workers. Just how these horizontal and vertical power struggles manifest themselves differ by situation, but they are always present and usually significant. For example, past community development efforts and current variations on that theme have little chance of working because line ministries have little interest in ceding control over the formulation of programs to lower-level governments or other types of community organizations.[9]

There is also no reason to believe that the motivations of political appointees are likely to be any less base in developing nations than they are in developed nations. In both instances, the political appointees view their appointments as lasting a few years at most. This means they are primarily interested in programs that

have a high impact within that time frame. Meaningful development, i.e., development that has any chance of sustaining itself, does not happen quickly. The only thing that can be done in short periods of time requires capital-intensive production techniques that will probably last only until the first mechanical failure. The point here is not to be critical of Third World political officials. Rather, it is to spell out the logical implications of the incentive structures under which they operate. They, like others being discussed in this chapter, are not primarily oriented to bringing about self-sustaining development.

Within Donor Agencies

Donor agencies, like the governments of developing nations, are not homogeneous, but consist of groupings of bureaucracies with competing interests. The primary interests of the headquarters of any large donor have to do with:

1. Disbursing all of their programmed development monies (headquarters staff fear that failure to do so will raise questions concerning whether the recipient should get as large an allotment of funds next year);
2. Funding projects and programs which fit their charter (when this principle is put against the one above, this one is usually "fudged"); and
3. Legitimizing all they do with large amounts of paperwork (Note: the paperwork need not offer any real legitimization for what they want to do).

In other words, the headquarters staff sees itself as answerable to various supervisory audiences, e.g., boards of investors and authorizing legislative bodies. They attempt to succeed at their role by exerting control over field offices and by writing field documents up in such a way as to be consistent with their directives.

While field staff of donor agencies also reflect concerns about disbursements and program commitment, they march to a somewhat different tune. Generally, field officers want:

1. To influence development policy in countries where they are situated; and
2. To be trusted advisors to high-level host country officials.

The easiest way to accomplish these objectives is to become a confidant to host country government officials,

and this is most readily done by having large programs that support the officials' pet development initiatives.

It is not hard to imagine the conflicts that arise between the field teams and headquarters of donor agencies. While it is true that it is in the long-term interests of field teams to work toward a resolution with headquarters (promotions in any bureaucracy require the ability to compromise), a recent study, using the Agency for International Development as an example, has documented the stasis that can result from internal bureaucratic differences.[10]

Contractors

Donors will often hire, or ask recipient governments to hire, contractors to assist with the development work. When this is done, yet another set of players with yet another set of incentives, is brought into the development game. Most contractors are in the business to grow and/or make a profit on their work. Profits are maximized, at least in the short run, by contractors who do little more than find people to take overseas assignments. Every additional effort to find better people costs money, just as any form of home office support does. Clearly, the headquarters of a contractor will step in when disaster appears imminent, but beyond this, home office support can be taken as meddling and besides, it costs money. Once again, the purpose here is not to demean the performance of contractors, but to illustrate that they have their own incentives that will at times work at cross purposes to meaningful development in Third World nations.

In summary, the staffs of government organizations, parastatals, donor agencies, and contractors operate under a variety of incentives structures that do not reward them for the implementation of successful development activities; they get rewarded for promoting their organization's programs, whatever the development effort of these programs might be.

Incentives for Individuals

Similarly, incentive structures for individuals responsible for implementing projects in developing nations are at best indirectly related to project success. Expatriate staff are either hired individually, or the donor agency contracts with an outside firm to provide a project team. Whichever way it happens, it is useful to think of expatriate project staff in terms of those with management responsibility and those with technical responsibilities. Project management staffs are primarily concerned that:

1. Disbursements of aid monies be maintained at projected rates;

2. Disbursements are made in accordance with agency accountancy and contractual regulations;
3. Project staff behave properly, both professionally and socially; and
4. A required amount of project information flows to certain audiences.

In short, project managers are primarily responsible for seeing that projects are implemented in accordance with what was set forth in the original design document. Deviations from the design, for whatever reason, are likely to constitute more of a threat to the project management than making a commonsensical change unless reasons for the change can be well-documented in writing. It should be remembered that project managers will usually be rotated out of their positions every two years or so, thereby making it difficult to reward or penalize individual initiatives having any long-term bearing on project impact.

Technicians also work to their own particular incentive structures, and here again, the incentives are only indirectly related to long-term project success. On the whole, expatriate technicians work towards some output goal that can be achieved while they have a physical presence at the project site. Agriculturalists aim to increase agricultural production; engineers like to build roads, dams, bridges, and buildings; planners like to plan and record their efforts in documents; and educators aim to transfer skills in classroom settings. For the most part, technicians achieve their output through methods that they are accustomed to using, and are far more interested in causing an increase in output as a result of their efforts than in transferring skills to developing country nationals for effecting output increases. This usually results in output gains that are temporary: they last as long as foreign aid continues and the expatriate technicians are in charge. Of course, one can point to some notable exceptions to this sequence of events. However, the scenario is generally accurate and is directly attributable to the technician's incentive structure.

CONCLUSION

The chapter began by asking what collaboration means when donor agencies are working with Third World nations to effect meaningful development, and continued by describing a variety of contradictory incentive structures at work during any development effort. In light of what has been described, one might wonder how any meaningful development ever takes place. It is a good question: what can one hope for? Firstly, one can expect a lot of

disappointments; there are simply too many conflicting interests to expect a high success rate for specific projects or programs. But over the long term one can be more optimistic. Resources are being transferred, and eventually, some benefits can be expected from these transfers. Secondly, technicians, despite their lack of interest in training others to do what they know how to do, will be imitated, and this will also result in some benefit transfer. Thirdly, members of the development community, both donors and recipients, are not driven solely by motivation for promotion; many individuals are truly committed to bringing about meaningful development results. Finally, and most importantly, current incentive structures need not be accepted as immutable. Attention needs to be given to the ways in which incentives might be altered so that the various important players might work in closer harmony to achieve important development results.

NOTES

1. See Richard A. Musgrave, The Theory of Public Finance (New York: McGraw-Hill, 1959), Chapter 23.

2. World Health Organization/World Bank Cooperative Programme, Tanzania: Rural Water Supply Sector Study (Geneva, 1977).

3. Agency for International Development, U.S. Overseas Loans and Grants and Assistance from International Organizations, Obligations and Loan Authorizations July 1, 1945 - September 30, 1979 (Washington, D.C., n.d.), pp. 6, 14, 19.

4. Organisation for Economic Co-operation and Development, 1981 Review: Development Co-operation (Paris, 1981), p. 28.

5. For a good presentation of these arguments, see Stephen Enke, Economics for Development (Englewood Cliffs, N.J.: Prentice-Hall, 1963), Chapter 20.

6. World Bank, Accelerated Development in Sub-Saharan Africa: An Agenda for Action (Washington, D.C., 1981), pp. 1-7.

7. See Peter Blair and Marshall Meyer, Bureaucracy in a Modern Society (New York: Random House, 1971); S.N. Eisenstadt, The Political Systems of Empires (New York: The Free Press, 1969).

8. Donald R. Mickelwait, Charles F. Sweet, and Elliott R. Morss, New Directions in Development: A Study of U.S. AID (Boulder, Colorado: Westview Press, 1979), Chapters 4, 8.

9. Stanley Heginbotham has documented how line ministries made a mockery of a well-conceived community development program in Indian by getting community development workers to be "salesmen" for ministry programs. Stanley Heginbotham, Cultures in Conflict: The Four Faces

of Indian Bureaucracy (New York: Columbia University Press, 1975).

10. Mickelwait, Sweet, and Morss, New Directions, Chapter 8.

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The Determination of U.S. Foreign Aid Policies

Much has been written about the fact that foreign aid does not have a large and reliable following among the American public. Recent Louis Harris surveys have indicated less public support for foreign aid than any other form of federal spending. Only four out of ten Americans believe it is important to help improve living standards in developing nations and over 60 percent of the public would like to see less federal money spent on foreign aid. The principal arguments most frequently voiced against it are: the people for which it is intended never receive it; it makes recipient countries too dependent on the U.S.; it tends to involve the U.S. in the internal affairs of other nations and aggravate diplomatic relations; and, it harms the economy at home.[1]

Public opinion does not play a critical role in determining foreign assistance policies. There are important groups that successfully promote foreign aid regardless of the views of the American public. These advocates include the President of the United States, the Department of State, other executive agencies, and part of Congress. This chapter will discuss the objectives of these foreign aid advocates and describe how bilateral foreign assistance is determined in America.

THE EXECUTIVE BRANCH

While there can be no question that the president has been forced to cede some control over foreign policy to the Congress, the complexity of the issues and the president's access to information still puts him way ahead of Congress in the ability to formulate foreign policy initiatives and to defend them. In this regard, two important points should be made: firstly, every president soon comes to realize that foreign assistance is an important policy instrument; and secondly, the president, perhaps more than any other advocate of foreign aid, wants and needs a foreign aid program. Remarkably little attention has been given to this latter point by students of

the program and it is worth some elaboration. At the end of World War II, the United States stood alone in its ability to afford to make significant transfers. Consequently, it had a tremendous advantage over other world powers in using resource transfers to realize its policy objectives. Today there are many donors, both bilateral and multilateral; as a result, there is less chance for the U.S. to use foreign aid to coerce or "buy" the allegiance of developing nations. In fact, some bilateral assistance is expected from each Western nation as a precondition for friendly relations with developing countries. The president wants to maintain these friendly relations and tries to keep communication channels open. When he sends a representative to a developing nation to discuss a particular policy issue, for example, he wants to be able to offer some token additional amount of foreign aid as an incentive to accepting his position (in this sense, the U.S. government does not differ from other foreign donors). In short, the president needs foreign aid as an instrument to further U.S. political, economic, and security interests among developing nations.

There are personal reasons too why a president will support foreign aid. For meetings with heads of state from Third World countries, he likes to be responsive to specific requests for assistance, whether or not a critical foreign policy issue is at stake, both to demonstrate that he has the power to do so, and to assure his reputation as an international statesman. A fortunate consequence of these motives is a demeanor that reflects a concern for the well-being of developing nations, and the possibility of support of development approaches that take longer to get underway, but will have a longer-term impact than his tenure in office.

To a large extent the Department of State reflects the president's interests in having an effective nonmilitary policy instrument because historically it has competed with the Department of Defense in determining what means should be used to realize foreign policy goals. Specifically, the department has advocated using diplomacy and other peaceful means of persuasion while the Department of Defense has favored using military and strategic pressures. In this competition, the former group wants to control all peaceful mechanisms, with maximum flexibility in terms of which ones to use under any given situation. The Department of State will inevitably be biased against projects that take a long time to get underway and do not appear to generate short-term development results. Putting this somewhat differently, it is unlikely to share the president's concern for appearing to be a statesman; rather, it will focus on arguments to foster peaceful diplomatic approaches to the problem.

The 1979 foreign assistance legislation introduced a new, and it appears temporary, player into the system, the International Development Cooperation Agency (IDCA).

Nominally, it was intended to coordinate all U.S. foreign assistance efforts.* From the outset, this did not appear to be a promising resonsibility: it meant that somehow IDCA was to insinuate itself in among powerful U.S. bureaucracies that had responsibility for the development and implementation of various parts of the foreign assistance program. As might have been expected, the overtures of this new organization were given a rather frosty reception by those bureaucracies it was intended to coordinate. IDCA has been forced into the limited position of overseeing and second-guessing AID and assembling information on the activities of other agencies. It will probably disappear.

A textbook treatment of this subject would include a discussion of the roles played by other members of the executive branch, such as the Office of Management and Budget, the General Accounting Office, the Congressional Budget Office, and so forth, in determining U.S. bilateral foreign assistance strategies. But this is not a textbook; the focus is on a limited number of critical actors in the development game. Suffice it to say here that on occasion these other actors play critical roles and have a significant impact. Given space limitations we have chosen to focus attention in the following sections on Congress and AID itself, because we believe that an understanding of the structure and motivation of these organizations will give the reader the clearest picture of the interaction between development ideas and institutions.

CONGRESS

A wide array of interests are funneled into and out of the executive branch concerning foreign aid; these interests and others are likely to blossom again in hearings before Congress. Business groups, farmers' associations, civic, humanitarian, and church organizations, universities, cold-war advocates, and financial institutions all make their views known in public hearings and in private sessions with congressmen and their staff. As Congressman Clarence Long once said, foreign assistance supporters represent dozens of "spurious and fallacious

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*Over the years Congress has made numerous efforts to coordinate the different elements of U.S. foreign assistance. IDCA was first proposed in 1979 by the late Senator Hubert Humphrey as legislation to consolidate U.S. foreign aid organizations into one umbrella agency. Title III of the International Development and Food Assistance Act of 1978 required the president to establish an International Development Cooperation Agency. The following year the International Development Cooperation Act was passed.[2]

political and economic" motives as diverse as buying votes in the United Nations, to acquiring military bases overseas to pure altruism. These supporters tend to focus on one issue, their issue, to the neglect of overall foreign assistance objectives in general.[3]

On occasion the normally loosely organized coalition of foreign aid supporters has been mobilized to apply concerted pressure on Congress to enact specific foreign assistance legislation. President Carter, for example, launched an extensive lobbying effort for the Foreign Assistance Bill of 1979 after observing "the disarray and confusion in our lobbying effort" in the previous year. Past legislative behavior was scrutinized and a lobbying strategy organized from the White House to coordinate the activities of AID, the Department of the Treasury, the Department of State, and other parts of the executive branch. Members of critical House and Senate appropriations committees were identified, and an effort was made to "educate" them. An interagency group met weekly and prepared an issue book that set forth all probable arguments and amendments in support of and against aid. Important personalities such as Secretary of State Henry Kissinger, Treasury Secretary W. Michael Blumenthal, and AFL-CIO President George Meany were enlisted in the lobbying effort. Packets of background material were provided to members of Congress and the public to show that foreign assistance was not a giveaway program, but one that had a beneficial effect on the U.S. economy by creating employment opportunities and stimulating business. This undertaking proved effective. As one congressman later remarked, "this was the first time I realized the raw power of the foreign aid lobby."[4]

However, this effort was the exception rather than the rule. These groups are rarely organized and there is no general public constituency for foreign aid. And since the president is more concerned about having a foreign aid bill than the specific form it takes, foreign aid legislation is a fragmented "grab-bag" of initiatives that are often contradictory in content and intended result. Over a decade ago the Senate Foreign Relations Committee made this point when it commented that the recently enacted foreign aid bill was filled with incongruent, overlapping, and antiquated stipulations.[5] That bill, which is illustrative of subsequent legislation, was the result of conflict resolution, bargaining, and vague objectives. Such legislation was difficult to implement and frequently led to self-defeating activities such as in countries where projects were designed simultaneously to keep people in rural areas to increase agricultural production and to lure them into urban areas to work in small industries. Even the dramatically new foreign assistance legislation enacted in 1973 was "patched on." It did not revise the existing statute so that it was consistent with the "new directions" thrust, nor has

anything been done subsequently to codify contradictory provisions. Remarking with some embarrassment about the unsystematic way the foreign aid program had been handled, Congressman Long said:

> It seems to me that our foreign aid program is like a fire company going to a raging fire with a hose whose water leaks out of the sides and the joints, and never comes out of the front, and if the fire goes out, it won't be because of a fire company or anything.[6]

Nonetheless, this seemingly haphazard legislative pattern is responsive to what Congress feels is safe vis-a-vis their constituents' interests. It is the way they protect and support that relatively small group with a stake in foreign assistance and demonstrate that a moderate amount of foreign aid is effective, prudent, beneficial, and something Americans can excel at.

In order to better understand congressional behavior concerning foreign assistance legislation it is useful to describe those positions most frequently taken by senators and members of the House. While such characterizations necessarily require oversimplification, the six positions presented below fit most legislators without much modification.

Humanitarian/Moral Responsibility

The so-called "people-to-people" programs have always been able to raise large sums of money through mailings, advertisements, and other public appeals. In Congress the sense that the United States has a moral obligation to alleviate suffering in poor countries has been perhaps been best personified by the late Senator Hubert H. Humphrey.[7] American economic assistance, he believed, should be directed to the poorest people in developing nations; the need to eliminate privation and suffering in these countries was urgent and uncontestable, and the more privileged nations have a moral responsibility to provide assistance to improve the existence of people there. He was impressed by what rural cooperatives and land grant universities had contributed to development in the United States and was convinced that these institutions could make similar contributions overseas. By choosing to support the cooperative movement and land grant universities he joined with two of the best organized groups lobbying for foreign aid. Together they were able to push through a foreign aid bill with appropriations comparable to funding levels of prior years at a time when congressional support for foreign aid had ebbed. In the last several years, however, congressional support for foreign aid based primarily on humanitarian grounds has almost been eliminated, but it will undoubtedly reemerge as a

formidable political force as the international economic position of the United States improves.

The National Interest

In recent years Congress has supported foreign assistance on grounds that it promoted U.S. economic, political, and security interests. Those who support it for economic reasons argue that a large portion of U.S. assistance monies come back to the United States in the form of demands for American goods and services. They concur with the point of view taken by Max Millikan and Walt Rostow that one of the most pervasive foreign policy tools would be a long-term, well-conceived economic assistance program in developing nations. This would accomplish two important objectives: to help develop viable and stable democratic societies in the free world; and, to increase international confidence that the aspiration and values of Americans are similar to those of people in other nations. Historically, however, the economic contention has been less important than the political and security arguments. Influential senators including Johnson, Fulbright, Mansfield, and Church have not bothered to draw fine distinctions between economic and security supporting assistance. Their primary concern has been that, together, economic and security assistance are adequate to promote U.S. policy objectives. But they have paid lip service to the importance of economic development aid in deference to the Millikan-Rostow argument that it contributes to broad American policy objectives.[8]

While these legislators were willing to go along with the 1973 legislation that changed the thrust of economic assistance and made new distinctions between economic and security supporting assistance, they did so with little enthusiasm. Senator Church, for example, called the "new directions deceptively attractive," and the result of a slick Madison Avenue sales campaign.[9]

Single Strategy Advocates

Some legislators advocate particular development strategies and activities as the solution to poverty. The hearings are replete with attempts to insure that these distinct approaches such as appropriate technology, population control, integrated rural development, and women in development are represented in the foreign assistance program. For example, Congressman Long believes that most development efforts are far too capital intensive. After a trip to Panama, he asked why there were not more capital saving technology projects such as the successful fish pond project he had visited there. One solution he offered was to provide each member of the target population with $100 for the purchase of appropriate equipment. Congressman Pease is an advocate of funds for

oil and gas exploration in developing nations; Congressman Bonker is an advocate for rural agricultural development; and Senator Percy sponsored an enacted amendment to ensure that women are more fully involved in development assistance activities.[10]

The Fence Sitters

Most congressmen know and care very little about foreign aid, inasmuch as it is a relatively small budgetary item. In essence they are uncommitted and likely to vote as recommended by their party leaders. However, to the extent that they are expected to show some interest, they are likely to ask for evidence that foreign assistance is having a positive impact. They also appreciate evidence that foreign aid is beneficial to the people they represent. In consequence, the Office of Public Affairs in AID tries to provide this evidence. Since 1969, they have tabulated annually data on contracts awarded by state, including a list of all contractors, their locations, and the amount of the procurement.* In addition, the agency normally provides some anecdotal success stories. This type of information is usually sufficient for it seems that these congressmen are primarily concerned with asking the right questions and not in spending time in analyzing the responses.

New Approaches

Congressional dissatisfaction with the effectiveness of the bilateral assistance program has taken a number of forms over the years, including support of new ideas and approaches and the establishment of new institutions, such as the Peace Corps and multinational aid agencies. The Inter-American Foundation is an example of the latter. Founded in 1969 to provide an alternative in Latin America and the Caribbean to the physical capital formation focus of traditional development assistance, the foundation supports indigenous organizations that reflect local needs, values, customs, and attempts to improve the life of the poor. The emphasis is on social and human capital.

The foundation is well-treated by Congress for a number of reasons: it is a small institution (the budget for FY 1980 was $17 million); it deals directly with local groups and does not go through formal government channels; it has no cumbersome overseas missions; and, it informs the House and Senate weekly about its funding

*For example, in FY 1978, AID procurements from companies and individuals located in Ohio amounted to $50,002,000, of which $3,166,000 were in technical assistance, $37,655,000 were in Food for Peace contracts, and $22,338,000 were in manufacturing contracts.[11]

activities. But more importantly, it is seen by all actors as a high-risk organization, one in which there will be failures as well as successes. As a result there has been relatively little congressional interference in the operation of the foundation. Similar attitudes recently led to U.S. support for the African Development Foundation and Appropriate Technology International.[12]

The Opponents

Adversaries of the foreign aid program have voiced concern over the value of the program to the U.S. Many congressmen claim to oppose it on grounds that it is a bad investment; others argue that it does not win us political allies. In recent years, with the deterioration in the U.S. international economic position, there have been increasing numbers saying the country cannot afford a large foreign aid program. They contend there are great unmet problems that must be resolved at home before the problems of other nations are taken on. In a time of critical energy problems, high interest rates, inflation, and little support for domestic social service programs, the United States is not in a position, as Senator Harry F. Byrd said, to sponsor a worldwide welfare program: charity begins at home.[13]

Closely aligned philosophically to those who want to solve domestic issues first are those legislators who feel foreign assistance is a bad investment. Countries we have helped over the last twenty-five years have turned around and nationalized our companies, voted against us in the United Nations, rebuffed our appeals for cooperation, and failed to share the burden of helping poor nations. Before retiring, Representative H.R. Gross of Iowa succinctly reiterated this position: foreign assistance, he said, "is getting us into more trouble at more expense each year. It's about time we quit kidding ourselves that we can remake the world and police it at the same time."[14] We are not getting our money's worth.

A small number of senators have argued that foreign assistance has a negative impact on the recipient nations. It is given regardless of the conduct of the recipient, it promotes politicization of life in developing nations, it encourages governments to extend economic controls, it promotes wasteful projects and the adoption of inappropriate Western models, and, perhaps most importantly, it induces developing societies to believe progress can be had for nothing.

Concerns of waste and abuse of funds are sometimes raised in response to publicity that might alarm constituents or as an excuse to defame unpopular programs. Organizational waste, inefficient programming, personnel corruption, and misappropriations of funds are the most common areas of abuse raised about the foreign assistance program. Not only are congressmen concerned with

deliberate and conscious abuses of funds, they want to ensure that programs are well-conceived, that money is spent soundly, and that unanticipated negative results are reduced. Congressman Passman, for example, believed AID inevitably inflated its requests for funds and that members of Congress were expected to find the excesses and eliminate them. He also, as judged by the following comment, considered the program wasteful and many of the so-called accomplishments "imaginary and mythical." He commented:

> I go out and I cannot find these projects that have done so much good. You talk to these people, and they do not know what you are talking about. I have traveled in these foreign countries and they wouldn't know AID from a hookworm.[15]

And lastly, some legislators oppose aid because it is expendient to do so. A vote for the foreign aid program could be traded for a vote on some other issue before Congress, or other concessions from the executive branch.

AGENCY FOR INTERNATIONAL DEVELOPMENT

No picture of how U.S. bilateral assistance policies are made would be complete without understanding certain aspects of the organization responsible for implementing those policies: the U.S. Agency for International Development.

AID has certain general characteristics that set it apart from other large government bureaucracies. Firstly, the main beneficiaries of the programs are not American citizens and are located in distant, disparate geographical settings; secondly, there is no broad public interest or support for the program; and thirdly. the nature of the work is complex, experimental, time consuming, and not well understood. Of equal importance in attempting to characterize the agency is the peculiar set of bureaucratic dynamics that have evolved over the years.[16] The agency has experienced severe problems in effective decisionmaking, in creating an incentive system that supports its goals and objectives, and in attracting and keeping creative staff.

Delays in Decisionmaking

Enactment of the "new directions" legislation introduced new issues and questions concerning how programs should be designed to achieve the congressional mandate. Each new project proposed was debated by teams of experts to determine whether it conformed to the legislation.

This has had deleterious effects on the design, review, and approval of projects. The extended amount of time it takes to design and approve a project is particularly evident in the Africa Bureau. As a number of recent studies have documented, the delays can be attributed primarily to uncertain procedures and requirements, arbitrary and discretionary decision criteria, and unclear management responsibility for the final product.*

Possible resolutions to the problem include condensing the procedures, reducing the number of persons involved in decisionmaking, ensuring that staff are informed about regulations and procedures and accountable for their decisions.[18]

Effective Evaluation

In order to improve the quality of efforts undertaken by the agency and to make reasonable decisions about future policy and goals, the entire portfolio of activities should be reviewed regularly. This has not happened in the past and, in order for it ever to occur, reliable information on projects and programs is necessary. No such information system exists. Bureaus responsible for activities in different parts of the globe have different monitoring procedures, and the agency has only vague indicators of project implementation performance. Agency procedures for policy formulation, program development, project identification, design, redesign, and approval do not require the use of evaluative information in the documents prepared for decisionmakers in the resolution of issues. For decisionmakers to be in a position to argue convincingly about the proper allocation of resources and staff, they need criteria for selecting their choices. They need relevant information extracted from monitoring and evaluation reports.[19]

The Incentive System

Like most federal agencies, AID offers few incentives for good project and program implementation.[20] Instead, rewards come primarily from getting funds committed

*Several studies attempted to estimate the amount of time and energy consumed in project development and approval and to account for the long delays between submission of projects for review to the final approval. One study concluded that tasks associated with project development took about 13 percent of the total working time of AID employees and involved contractors, cost about $121,000 per project and consumed over two and one-half man months per project. The time that elapsed from project development to final approval was just over nineteen and one-half months.[17]

and projects approved and into the implementation stage. The best staff in Washington are concerned with issuing directives on how projects must look before being approved; in the field the staff focuses on the obligation of funds. The actual implementation plan, selection and deployment of a technical assistance team, and so forth, are often left to lower-level staff who are neither equipped with the skills nor have the authority to overcome the myriad bureaucratic impediments to effective implementation support.

In sum, the incentive structure focuses on the design and approval of projects; it is a "get funds obligated" incentive. Implementation plans in project design are often unrealistic because they are tailored for project approval. Implementation support is consigned to the lower levels of field staff and, at the present time, the only effective monitoring of project and program implementation is carried out by auditors and inspectors general. This means that the only effective implementation incentives of staff are to comply with regulations, not to do imaginative development work.

Personnel

In recent years there has been an exodus of social scientists and other development technicians from the agency. At the same time the main job of the staff has changed from direct project involvement to project administration. Increasingly, AID personnel manage the work of others. Unfortunately the new people that have been hired are mainly "generalists" with little competence in the technical aspects of management or development. There is a mismatch between the pool of skills available in the agency and the types of skills that are needed to analyze, implement, and manage the projects and programs.

CONCLUSION

The preceding sections have painted a rather dysfunctional system by which foreign assistance policy is developed and implemented. The president has his own special reasons for wanting a foreign aid program. Congress, in its review of the aid program, has manifested a wide array of concerns -- concerns that frequently have little to do with the congressional intent reflected in its own aid legislation. And AID has yet to develop the information system and incentive mechanisms to develop and implement sound policies and programs.

But one should not be overly critical about what will and will not work that we did a decade ago. AID does have now an Office of Evaluation, and it is moving closer to obtaining and using the sorts of information that are needed to improve upon its effectiveness. It is hoped

that, in future years, this information will serve as the basis for a frank and open dialogue between Congress, the agency, and other parts of the executive branch on what foreign assistance can be expected to achieve.

NOTES

1. The Harris Survey Yearbook of Public Opinion 1971, pp. 58-59; Daniel Yankelovich, "Cautious Internationalism: A Changing Mood Toward U.S. Foreign Policy," Public Opinion 1:1 (1978): 15. Both senators and members of Congress regularly poll their constituents on their attitude towards various federal spending programs. Senator Proxmire of Wisconsin found the overwhelming majority believe foreign aid should be sharply reduced or eliminated entirely -- less than 4 percent believe it should be increased, and a scant 8 percent feel it should be maintained. U.S. Congress, Senate, Subcommittee of the Committee on Appropriations, Foreign Assistance and Related Program Appropriations for FY 1973: Hearings, 92d Cong 2d sess., 1972, p. 360. Congressman Matthew McHugh of New York also found the majority of his constituents favored reducing foreign assistance spending. Interview, Gary Bombadier, legislative assistant to Congressman McHugh, 3 December 1979.

2. John A. Costa, "The International Development and Food Assistance Act of 1978," Mimeographed (Washington, D.C.: Library of Congress, Congressional Research Service, n.d.), pp. 2-4.

3. U.S. Congress, House, Subcommittee of the Committee on Appropriations. Hearings, 94th Cong. 1st sess., 1975, p. 356.

4. William J. Lanouette, "Foreign Policy Focus: Defying Conventional Wisdom," National Journal 10:41 (1978): 1654.

5. U.S. Congress, Senate, Committee on Foreign Relations, Legislative History of the Committee on Foreign Relations 88th, 89th, and 90th Congresses, 93d Cong. 2d sess., 1974, p. 140.

6. U.S. Congress, House, Subcommittee of the Committee on Appropriations, Hearings, 94th Cong. 1st sess., 1975, p. 356.

7. See, for example, U.S. Congress, Senate, Congressional Record, 93d Cong. 2d sess., 1974, 120, pt. 12: 16085; Samuel P. Huntington, "Does Foreign Aid Have a Future?" Foreign Policy 1(Winter 1970): 176, 188.

8. See Chapter 2, pp. 21-22.

9. U.S. Congress, Senate, Congressional Record, 93d Cong 1st sess., 1973, 119, pt. 25: 32597, 32598.

10. U.S. Congress, House, Subcommittee of the Committee on Appropriations, Hearings Part 4, 96th Cong. 1st sess., 1979, p. 794; U.S. Congress, Senate, Subcommittee on Foreign Assistance of the Committee on Foreign

Congress, House, Subcommittee on Africa of the Committee on International Relations, Hearings, 95th Cong. 2d sess., 1978, pp. 50-51; Interview J. William Goold, administrative assistant to Congressman Pease, 30 November 1979.

11. Agency for International Development, "Payments by the Agency for International Development to U.S. Manufacturers and Suppliers of Commodities July 1968 - September 1978," (Washington, D.C., n.d.), Table 1; Agency for International Development, A.I.D. News: Foreign Assistance in Ohio (Washington, D.C., 18 September 1979).

12. William M. Dyal, Jr., "Statement and Supplemental Budget Data in Support of the FY 1980 Budget for the Inter-American Foundation," Paper read at the Subcommittee on Foreign Relations of the House Committee on Appropriations, 14 February 1979, at Washington, D.C., pp. 1-5; Interview Larry Bruce, General Counsel, Inter-American Foundation, 2 December 1979.

13. P.T. Bauer and John O'Sullivan, "Foreign Aid for What?" Commentary 66:6 (1978):42, 46; U.S. Congress, Senate, Congressional Record, 93d Cong. 1st sess., 1973, 119, pt. 25: 32553, 32597; U.S. Congress, Senate, Congressional Record, 93d Cong. 2d sess., 1974, 120, pt. 12: 16084; U.S. Congress, Senate, Committee on Foreign Relations, Legislative History, p. 145.

14. U.S. Congress, House, Congressional Record, 94th Cong. 1st sess., 1975, 121, pt. 1:623; U.S. Congress, Senate, Congressional Record, 93d Cong. 1st sess., 1973, 119, pt. 20: 26402.

15. U.S. Congress, House, Subcommittee of the Committee on Appropriations, Hearings Part II, 92d Cong. 2d sess., 1972, pp. 968, 1201.

16. For a thorough and provocative discussion of the bureaucratic dynamics of AID, see Judith Tendler, Inside Foreign Aid (Baltimore: The Johns Hopkins University Press, 1975).

17. Booz, Allen and Hamilton, "Study of Selected Aspects of the Project Assistance Cycle," Mimeographed (Washington, D.C., 13 October 1978), pp. III, 23.

18. For a thoughful presentation of solutions to deficiencies in the decisionmaking process of AID, see Donald R. Mickelwait, Charles F. Sweet, and Elliott R. Morss, New Directions in Development: A Study of U.S. AID (Boulder, Colorado: Westview Press, 1979), pp. 225-229.

19. For a recent investigation into the problems of agency portfolio management, see Victoria A. Morss, "The Special Problems of Projects with Significant Implementation Problems: An Examination of Evaluation Findings and Lessons," Mimeographed (Washington, D.C., April 1982), pp. 41-43.

20. For general documentation on this point, see E.C. Hargrove, The Missing Link (Washington, D.C.: The Urban Institute, 1975); E. Bardach, The Implementation Game (Cambridge, Mass.: MIT Press, 1977); for writings on AID, see J. Tendler, Inside Foreign Aid and Library of

Congress, Congressional Research Service, The New Directions Mandate and The Agency for International Development (Washington, D.C., 1981), especially Part III.

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6
Foreign Assistance: Looking into the Future

In Chapter 3 an attempt was made to assess the impact of the first twenty-five years of foreign assistance, the period that led up to, but did not include, the "new directions" era. The conclusion was that during that period the developing world enjoyed a dramatic increase in economic, social, and political well-being and that foreign assistance contributed to this increase. This chapter will synthesize the limited information that exists on "new directions" initiatives and draw some comparative conclusions about their impact relative to approaches that had been tried earlier. It will include sections that address in both normative and predictive terms the future of foreign assistance.

THE YEARS SINCE 1975 -- AN ASSESSMENT

The information does not exist to make any sort of scientific assessment of "new directions" initiatives and, even if information were available, it might be too soon to attempt it. While there have been some important changes in sectoral allocations of aid monies since 1973,[1] there is only an extremely limited number of projects being implemented in a manner that truly reflects both the intent and methods called for by the "new directions" legislation.

This having been said, it is also true that a considerable body of knowledge has been built up concerning "new directions" approaches by means of research, project design activities, and project monitoring and evaluation reports. While these studies and reports have only rarely touched on the broad concerns that are paramount here, the people who carried them out have a relatively good understanding of both the strengths and weaknesses of the new approaches. Since most of these people worked earlier on the more traditional approaches, they are also in a good position to offer comparative judgments as to the strengths and weaknesses of old and new approaches.

Under the sponsorship of the Institute of Social Studies in The Hague, we recently brought together roughly sixty development experts in a series of workshops to make such judgments.* These experts reflected diverse interests and backgrounds, having been drawn from universities, research institutions, consulting firms, and appropriate government agencies. To focus the discussion, they were sent a preliminary list of propositions that appears in Appendix A. The following paragraphs reflect our interpretation of the findings of these workshops.**

The Search for Implementation Strategies

As was discussed earlier, 1973 was the year in which significant changes were made in the policy pronouncements of AID and the World Bank; most of the other major bilateral and multilateral donors soon followed suit. In part as a result of studies suggesting that aid was having a limited and unequal development impact, and in part of the need to give aid a "new face," the new policies called for aid to be targeted on helping the poorest segments of developing countries. At the time, it was not clear how foreign aid practices should be revised to accommodate the new policy objective, but new concepts were put forth. In place of a focus on maximizing GNP per capita, donors at least paid lip service to the new distributional objective of assisting the rural poor. Methods such as sector loans, large infrastructure projects, concerns about macro economic policies, planning, and the overall level of resource transfers gave way to methods characterized by the following words and phrases: participation, evolutionary processes, self-reliance, grass roots, bottom-up, local organizations, area development, integrated approaches, small projects, decentralization, appropriate technology, sociocultural awareness, basic needs, "small is beautiful," and "they know how."

Much has been learned from the efforts of the last few years to introduce the "new style" of concepts into foreign assistance operations. Indeed, even the most severe skeptics have been convinced that we should not return completely to the old approaches.

The policy changes announced in 1973 were profound, and the bilateral and multilateral donors were not equipped to implement them. As a consequence, several steps were taken. Firstly, new research programs were launched to find ways to realize the new objectives;

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*Drs. Hans van Raay and Aart van der Laar helped prepare and conduct these workshops.

**The focus of Dutch foreign assistance changed in the mid-seventies in a manner that directly paralleled the United States. Hence a comparison of progress since then is relevant.

secondly, private voluntary agencies (cofinancing agencies in European terminology) were given a larger share of the assistance budget in the hope that by working through non-governmental channels, ways could be found to attain the new objectives; and finally, explicit distributional objectives were incorporated into the design of virtually all new projects.

Research

The researchers at the workshops indicated that progress has been made, that prototypes have been developed and tested, and that they appear more successful in terms of generating sustained development impact than more traditional development approaches. However, they forewarned that their findings only apply to small-scale initiatives and that work on how to replicate them so that they can have a broad development impact remains to be done. They also conceded that serious questions remain on how information on these new technologies should be disseminated for widespread use in the Dutch aid (DA) program.

In ensuing discussions, a number of questions concerning the value of this research were raised. It was argued that DA did not have an effective research strategy and that the research that was carried out was badly managed. More specifically, it was argued that, instead of defining problems that needed to be researched, establishing priorities among them, and issuing research contracts or grants in accordance with these priorities, DA played a relatively passive role and allowed researchers' interests to define the research portfolio. This approach has been supported by the researchers, who claim that they, and not the government, should define the research priorities.

Three negative effects of these attitudes and activities have emerged. Firstly, researchers have engaged in work that has had little payoff for DA; secondly, DA has reserved for itself work on policy issues; and, thirdly, unnecessary antagonisms and frustrations have grown up between the researchers and DA staff: the former claim that DA staff pay no need to their research findings, while DA staff complain that the research they pay for has no policy relevance.

This is not a healthy situation. One might ask why DA, which provides development assistance as well as funding a considerable amount of research both directly and indirectly, should not develop and fund a research program that fits its needs. One might also ask both researchers and DA staff whether it is not fitting and appropriate for researchers to engage in policy research.

The American setting offers interesting contrast to the Dutch setting. AID has defined its research program, with research contracts and grants issued accordingly. However, the AID research strategy suffers from two basic

weaknesses. Firstly, there is very little unsolicited research that gets funding, and there is some real question as to whether the AID staff has the time, intellectual depth, and perspective to identify the critical research priorities. Secondly, the tendency in AID is to "farm out" all activities with the result that the AID staff is reduced to being contract and grant administrators.

A comparison of the DA and AID approaches to research offers a contrast in extremes: DA takes a passive stance and assumes the results will have little policy relevance; AID, with its emphasis on developing its own research program that is "farmed out," has bred a staff of research administrators. In both instances, there are profound problems in getting the research findings incorporated into the assistance programs.

Private Voluntary Organizations (PVOs)

In this area, the similarities between the Dutch and American settings are striking. In both countries, the PVOs have assumed an anti-research stance, following instead a "learning-by-doing" strategy. They argue that government-to-government assistance approaches are not effective and prefer to work instead directly with local organizations in developing countries. Here too, the workshops suggest that serious questions remain unresolved. The history of local organizations as vehicles for equitable development is not particularly good;[2] the technical competence of PVOs has been questioned.[3] Questions have also been raised concerning the sustainability of such initiatives in light of government hostilities they often arouse; there is also reason to wonder whether these small-scale interventions can have a significant development impact.

At the meetings the PVOs indicated that they are funding or are planning to fund a very large number of projects (one agency said it is now funding 1500 projects with 3500 more in the pipeline). To fund such large numbers of projects, the agencies work through national organizations in the developing countries that serve as brokers to these local organizations. One can question the role of these brokers, which are now becoming large bureaucracies.

Clearly, differences of opinion have emerged as to the current and future effectiveness of these agencies' programs but, to date, little if anything has been done to comprehensively assess them. Until such assessments are undertaken, these differences of opinion, without any factual basis, will continue and antagonisms will increase. The agencies are understandably protective of their activities, but it should also be noted that, to the extent that they are doing things well and have learned valuable lessons, nobody else can benefit from

them until objective assessments have been made and reported.

Beyond the Traditional Versus "New Directions" Distinctions

A very small portion of the DA and AID project portfolios is disbursed through cofinancing agencies/PVOs and an even smaller portion is related to ongoing research. A point made repeatedly at the workshops was that the traditional versus "new directions" classification of projects is probably no longer very useful. Most projects initiated since 1973 make explicit reference to the new policy objectives, and there are few projects today that have not been reviewed for distributional impact and for whether project benefits will be sustained when project monies end. A wide variance in project performance remains, but today, the right questions are being asked and the overall quality of the project portfolios has been increased. It is important to make this point, because as we become more self-critical it is easy to lose sight of the progress that has been made.

Perhaps the most interesting issue discussed at the workshops was whether the new policy directives can be attained through large-scale interventions, or whether there is something in the nature of size that precludes this from happening. From the discussions, we conclude that there is a growing consensus that size need not be a barrier, but that we are only now starting to see what are the critical ingredients for successful large-scale interventions. But before getting to these ingredients, a few comments should be made on when it is appropriate to try to introduce a project with a "new directions" design and when it is not.

There are parts of the world where the application of existing agricultural technologies appears to hold the key to dramatic development potentials. India is now food self-sufficient, largely because of the widespread application of such technologies, and there is reason to believe that within the next decade China will become one of the world's leading grain exporters. In cases such as these, the application of the programmatic model would appear excessively costly and unnecessary. There are other cases in which political regimes are so exploitative and/or economic policies are so bad that nothing is worth trying. And finally, there are cases (which will be discussed later) in which the starting of new projects is inappropriate.

In contrast, there are many areas in the world where development is going to come slowly, where there are no easy answers, where the resources critical for development -- land, labor, and capital -- are in short supply. It is in these circumstances that donors have the option of coming in every few years to "fix things up," or trying

to employ an approach such that the recipient country will gain the knowledge to define and resolve its own problems in a manner that becomes self-sustaining. To respond to these circumstances, efforts have been made to set forth what is needed in handbooks or manuals, but they have not been very successful because it is impossible to "blueprint" what is needed to satisfy the wide variety of local circumstances that the field worker is likely to face. In what follows, an attempt will be made to outline what persons responsible for project designs and the allocation of donor monies should keep in mind so that when people are sent to the field to implement a large-scale project they will be working in an environment where benefits offer some hope of being sustained. The essence of such an approach can be summarized in the following key word phrases:

Think big;
Start small;
Avoid blueprints;
Area focus;
Work to empower area institutions and individuals;
Ten-year time commitment;
Emphasize technology transfer and behavioral change, not physical construction targets;
Design an appropriate foreign personnel structure and mix;
Emphasize the importance of macro economic and political policies;
Coordinate participation and decentralization activities;
Wait for counterparts; and
Develop and continually update departure plans.

Think big. The problems of the marginal areas in which such an approach is appropriate are not going to be solved by short-term, piecemeal initiatives. This means that the project must have a long-term planning component that aims to highlight constraints to development and what can be done to overcome them. Traditional planning methods by which a discrete development plan is generated by outsiders is not appropriate; instead, the critical element is to develop and institutionalize a comprehensive planning process that links into action. This process, which starts by identifying the long-term constraints to development, should also include short-term (one to three year) action plans that draw upon development resources, both internal and external, to realize its objectives. These action plans should serve as the basis for the disbursement of project funds as the project progresses.

Start small. Experience shows that short-term project design teams cannot identify the most potentially viable development initiatives in these marginal areas. In recognition of this, planned disbursements in the first two years of project activities should be kept low. Specifically, they should be used to fund a skeleton foreign personnel team with some monies to initiate small-scale project activities that are identified by the team and their counterparts. The skeleton team ideally should consist of a culturally sensitive person willing to live and work in villages, and a planner. Funds should also be available to bring in a few technical experts on short-term consultancies as appropriate.

Avoid blueprints. It is not possible to identify in advance what activities are critical for the success of a large development project. Time and again, efforts have been made to anticipate what is needed, and repeatedly, these efforts have failed, but because the plans had already been made and approved, the activities were carried out even though they offered little chance of success. Initial blueprints must be avoided; the staffs of donor agencies must be creative enough to find ways to reserve funds for future project activities, even though they do not know what those activities will be in the initial stages of development.

Area focus. Although useful things can be done at the national level, and some village-based efforts can yield benefits, the highest payoff on a large project is likely to occur when a project covers an area defined by subnational governmental administrative boundaries. This offers the potential for comprehensive planning in which all the resources of the region can be coordinated.

Work to empower area institutions and individuals. It is clear that providing development resources to subnational institutions will have political repercussions. Indeed, the effort will not succeed unless these institutions acquire the capacity to plan and implement development activities and control over a greater share, both absolute and relative, of the nation's development resources.

Ten-year time commitment. It is impossible to do what is being discussed in less than ten years. While donors have had problems in pledging themselves to one project for that length of time, ways have been found to make it happen. For example, projects are often funded in two phases. Funds for the second phase are not made available until a thorough review of the project's progress has taken place near the end of the first phase. If some arrangement cannot be worked out for such a long-

term commitment, there is little point in trying to apply the programmatic approach.

Emphasize technology transfer and behavioral change, not physical construction targets. Over the last two decades of development experience, considerable emphasis has gone to achieving certain physical goals, e.g., building five hundred kilometers of roads, rehabilitating fifty irrigation systems, or building seventy-five potable water systems. The problem with emphasizing these physical targets has been that all of the foreign technicians' energy has gone into target fulfillment, with little attention given to training counterparts in how to operate and maintain these systems. The consequence has been that these physical constructs have gone out of commission in very short order. An essential feature of the approach being recommended here is that problem solving and technical skills are transferred to the recipient country personnel so that foreigners will not have to come back periodically to do the job over again. In order to effect this change in emphasis, the goals of the project should be changed, but also, the foreign personnel structure and mix should be altered.

Design an appropriate foreign personnel structure and mix. In the case of most large-scale projects, short- and long-term foreign personnel are required. Fields of technical expertise tend to dominate the long-term requirement lists. This practice needs to be reviewed. If the purpose of the project is to build roads, dikes, irrigation channels, and buildings as rapidly as possible, the traditional long-term requirement lists would perhaps be appropriate. However, a purpose of the 1973 policy statements was to change the emphasis from construction (or reconstruction) to providing recipient country personnel with the capacities to solve their own problems and do their own work. In this area, the experience with foreign technicians has not been satisfactory. In most cases, they have neither been good teachers, nor do they derive much ego gratification from transferring their technical knowledge to others. In the long term, efforts might be undertaken to train these experts in technology transfer and to develop new incentives such that they would want to work towards these ends. In the short run, changes in the composition of the foreign assistance teams should be undertaken. In projects where the main objective is to increase the capacities of recipient country personnel, the long-term positions should go to generalists whose expertise and interest lie in adapting to other cultures. Their first task would be to establish good working relationships with counterparts and to get a general sense of the strengths and weaknesses of recipient country institutions that might be involved in project activities. Once this had been done, they would develop

terms of reference with their counterparts for technical assistance. Technicians would then be invited out on short-term assignments to develop work plans and budgets in their areas of expertise. They would make regular visits to review work progress and make further suggestions. The bulk of the work of implementing the technical plans of action would be left to recipient country technicians, with the long-term staff playing only a supervisory role.

A question might be raised as to whether there are personnel available to fill these long-term assignments. It would seem that graduates of the Dutch Volunteer Service and the U.S. Peace Corps would be prime prospects for such work.

Emphasize the importance of macro economic and political policies. Macro economic and political policies can exert an important influence on a project's chances for success. For example, it has recently been documented that such policies are largely to blame for the poor showing of Subsaharan Africa over the last decade. More specifically, holding down producer prices for agricultural products, the reliance on inefficient monopoly government entities for the delivery of agricultural inputs and marketing, and the insistence on maintaining overvalued currencies have severely constrained agricultural production and have worked to the detriment of the rural poor.[4] These issues should be given priority in deciding whether or not to fund a project. There have been innumerable projects implemented in the last decade, in which the objectives made no sense in light of existing policies. However, it is also extremely useful for current projects to document how badly national policies interfere with the chances of achieving stated targets. At the very least, such documentation will provide the host country project staff with an understanding of how these policies interfere with development initiatives. It is also possible that this documentation will get into the hands of policymakers and persuade them to change the policies.

Coordinate participation and decentralization activities. There is a general consensus among development experts that increasing the participation of intended project beneficiaries in project activities is desirable and considerable work on how to do this is now being completed. It is important that such participation activities be coordinated with efforts to get lower-level government officials to work directly with intended project beneficiaries on project ideas and tasks and to establish these linkages in order to sustain project benefits when foreign assistance ends.

Wait for counterparts. There is little chance that project benefits will be sustained if the foreign personnel do all the project work, but foreigners often end up doing all the work because host country counterparts are not available. Good host country counterparts are usually in short supply. However, if they are not found and motivated to get thoroughly involved in project activities, there is very little chance that project benefits will be sustained.

Develop and continually update departure plans. Starting eighteen months after project inception, all foreign staff should be asked to set down in writing how the activities that they are engaged in will generate project benefits and how those benefits will be sustained when they leave. In short, all foreign staff should be required to formulate a detailed implementation plan for how their work can be phased out. The plan should be specific in terms of both time and budget; it should be shared with the counterparts and donor supervisors; it should be periodically revised as conditions change; and, if the time and/or budget appear inadequate to achieve the intended goals, the plan should be reviewed and changes made. Such a procedure will force an element of realism into projects -- an element that has been sorely lacking from past projects.

The above points should serve as reminders to what factors are critical for the success of large-scale projects. While each point warrants a far more detailed discussion than has been given, they can serve as a useful starting point for the design of large-scale projects.

The Size of the Project Portfolio

A number of persons at the workshops made the point that the share of foreign assistance going to projects should be reduced in the future. Put in investment terms, the social and economic rate of return on aid monies will be increased if the portion of it going to projects is reduced. Why is this so? It is becoming increasingly clear that for a number of the least well-off developing countries, particularly those that must import oil, the balance of payments situation has become desperate. All economic activity is slowing down due to shortages resulting from the need to cut back on imports. These countries are understandably not interested in new project initiatives; they are interested in making something of the development initiatives already underway. However, it should be noted that part of these problems -- and this applies particularly to countries of Subsaharan Africa, as noted above -- have resulted from the adoption of inappropriate macro economic policies over the last decade. This being the case, balance of payments support

should be coordinated with the efforts of other donors to bring about policy improvements.

There is a second reason why a smaller portion of aid budgets should go to projects over the next few years. For a number of the countries that have been most popular among foreign donors, the number of aid-financed projects has increased to unreasonable levels. In Kenya, for example, a number of ministries now have more than fifty donor-supported projects. 'In a very real sense, the result has been institutional destruction. Each project requires a project coordinator, which has led to a horizontal spreading of authority that has eroded the control of senior officials in the ministries. One may question whether these ministries are in a position to develop coherent policies on their own when they have so many projects and so much of their staff are required to fill project coordinator slots. In such circumstances, an effort at project consolidation should yield extremely high development benefits. If this does not appear politically feasible, support for the implementation of existing projects should also offer a high return.

NEW FORCES

The previous paragraphs have offered prescriptions for improving upon the effectiveness of public assistance. It is questionable whether marginal improvements in such efforts will have any significance when confronted by other adjustments taking place in the world economy. In the following section, two of these adjustments will be examined: changing production and market patterns of heavy industry and the communication revolution.

Changing Production and Marketing Patterns for Heavy Industry

At the end of World War II, there was no question as to where heavy industry should be located: it should be based in the West to rebuild Europe and to provide for consumer demands that had been suppressed during the war in both the United States and Europe. Things are now qute different than they were in 1946. Whereas at the end of World War II, Europe and America were seen as the important markets for heavy industry, attention is now turning to middle-income countries in both Asia and Latin America. The markets of both the United States and Europe have lost their dynamism and are now primarily replacement markets.

On the production side, lower cost of labor, increasing political stability, the ease of technology transfer, and the increasing role of transnational corporations have contributed to the move of heavy industrial

activities out of Europe and the United States and into Asia and Latin America.[5]

The heavy industry production base will continue to move to the new markets of Asia and Latin America and the consequent loss of jobs in Europe and North America could reach staggering numbers. Admittedly, there is an optimistic view that lower interest rates, reindustrialization, retraining, and an expanded service sector in Europe and America might alleviate the problem. However, very little has yet been accomplished and one wonders whether such activities can significantly stem the flow.

The easiest adjustment mechanism the West can use to reduce the unemployment effects of these phenomenae is to establish various types of import barriers. Numerous examples of this happening can already be seen. The actions taken to limit imports of automobiles and steel are obvious examples.

The potential unemployment crisis in the West and the resulting trade barriers could have profound implications for growth strategies in developing countries. Rather than using comparative advantage as the basis for agricultural and industrial strategies, it might be more appropriate to ask what areas of growth will minimize labor displacement in the West. Putting it slightly differently, we might be entering an era in which the appropriate growth strategies will depend primarily on what the West will allow to come in.

There is another side to this problem. In addition to introducing import barriers, the West can be expected to increase the attractiveness of locating significant employment generating activities within their borders through various forms of government subsidies. Consequently, as part of their growth strategies, developing nations might consider entering into a subsidy war with the West.

What does this all add up to? In coming years, the West can be expected to become increasingly concerned about employing its own labor force; it can be expected to resist giving up its more labor-intensive industries to developing nations than has been the case in the past. All of this means it is going to be far more complicated for developing nations to chart appropriate development strategies than has been true to date.

In these circumstances, transnational corporations may become the real allies of developing nations. Unlike Western governments, which will be increasingly concerned about maintaining economic activity at home, the transnationals will continue to use market and cost of production considerations to determine their production locals.

The Communications Revolution

Various aspects of the communications revolution offer tremendous potentials for developing countries.

Yet many developing nations have pointed out that, until now, communications barriers have constrained growth,[6] and that these barriers should be and are in the process of being eliminated.

In the future, it will be far easier to identify and acquire needed technical information than has been true to date. Marketing and important ecological information will become available to the remotest areas in developing countries. The communications revolution also holds promise for new and far more effective forms of training and general education.[7]

Incorporating the new communications technology infrastructure will take time, especially to customize the hardware and software to local needs. Nevertheless, one can expect dramatic changes in the next decade -- changes that are so profound as to force a completely new definition of the development problem.

There is, however, a potentially calamitous effect the communications revolution will have in both developed and developing countries. Enough recognition has not yet been given to the fact that, in the developed nations, the communications revolution is primarily a labor-saving technology. This can be expected to exacerbate the unemployment problem of developed countries discussed in the prior section and to have profound ramifications in the developing world.

U.S. FOREIGN ASSISTANCE: LOOKING AHEAD

In the future, U.S. foreign aid will be less significant to developing countries than has been the case in the past. This is partly because Japan and West Germany are expected to run large balance of payments surpluses and hence will be called upon to make relatively larger foreign aid contributions. U.S. foreign assistance will also become less significant as trade restrictions are increased and as more and more developing countries move from low- to middle-income status.

Mistaken Solutions to Development Problems

So long as the top echelon of AID continues to be used as a patronage dumping ground for incoming administrations, excessive enthusiasm for superficial panaceas can be expected to thwart more sound and considered approaches to improving on current development initiatives.

For example, the momentary AID enthusiasm for increasing the role of the private sector is the sort of distraction that students of development have learned to tolerate in much the same way they tolerated earlier fads. This enthusiasm suffers from the same weaknesses that earlier fads, that have come and gone, suffered from: uncertainty as to its meaning and no sense of how to make

it operational. As regards meaning, there are two general ways in which the private sector initiative has been interpreted. Firstly, it is seen as promoting the role of the indigenous private sector in developing countries. Secondly, it has been seen as a catalyst to attracting private foreign capital to developing countries. A precondition for either approach to work is the development of a political and economic environment that is conducive to private sector initiatives. Unfortunately, the United States has very little leverage with which to affect political and economic environments. To date, little has emerged that shows any promise for using foreign aid as a catalyst to significantly increase indigenous private sector activities. As regards foreign capital flows, the U.S. aid program is simply not in a position to offer the sorts of inducements required to affect the direction of these flows significantly.

Disregard for Implementation Problems

In recent years, much attention has been given to problems of project implementation. It can be expected that, over time, our knowledge of how to deal with these problems will also increase. However, until incentive structures within AID are changed, the staff can be expected to spend most of their time in planning the disbursement of new monies and not on designing sound implementation plans.

Project Excesses

The last decade has seen an excessive buildup of projects in the AID portfolio. These excesses are so painfully apparent today that we can expect a return to programmatic support, balance of payments assistance, and recurrent budget support. Concern for macro economic policies can also be expected to garner greater attention than has been the case in the past.

What We Would Like to See Happen

In the fifties and early sixties, the U.S. foreign aid program was viewed by recipient countries as a manifestation of American generosity and humanitarianism. Times have changed. Today, the United States' foreign assistance program is viewed with cynicism by most developing nations; it is seen as a program designed to promote U.S. security interests, with little regard for the problems of developing countries. Some would say that the changing view of the U.S. foreign aid program is the result of the aggressive tactics of the Russians and that we should launch greater efforts to counter them. It is not possible to spend much time outside the U.S. and remain a supporter of this view. It is more realistic to

say that the fear of Russia has reduced the U.S. from being a country that takes a generous and statesmanlike view of world affairs to one that defines the world in two camps -- you either support the Americans or the Russians. The baggage that goes along with supporting the Americans is the promotion of capitalism and democracy.

Whether this simpleminded picture of the world is right or not,* it is not a picture of world affairs that has any real following outside of America. To push it upon developing countries negates most if not all of the beneficial effects of our foreign assistance. The red tape, bureaucreatic inefficiencies, and the restrictions on the use of foreign aid funds are frustrating to both U.S. development professionals and recipient nations. None of this makes much sense. American security interests are hurt by defining them so narrowly and insisting that developing countries support us. The red tape is self-defeating, because it contributes to the failure of many of the development initiatives that we support.

Our experience leads us to the conclusion that U.S. aid objectives could be furthered by greatly simplifying the foreign aid legislation so that red tape and restrictions are significantly reduced. While macro economic policies followed by developing countries warrant continued attention, we need to reassert that we are tolerant of other philosophies of growth and that at least part of our motivation in giving foreign assistance is to help countries cope with their development problems. It should not be necessary to say this, but with the current focus that reduces foreign aid to one of several tools available to promote American political and security interests abroad, it needs to be said again and again.

Sadly, the missionary zeal has gone out of the U.S. foreign aid program. Foreign aid officers no longer show the enthusiasm that was present in the early days; they have been reduced to being lackluster bureaucrats whose major concern is following regulations.

A FINAL NOTE: DEVELOPMENT FOR WHAT?

When one travels through the developing countries of Asia and Latin America, one is struck by the similarities to development efforts attempted in the West several decades ago. Indeed, it appears often to be a caricature of the worst features of Western development: the rampant materialism coupled with the capital and energy-

*We do not happen to believe this picture is accurate. In fact, one of the greatest threats to future world stability may be the total collapse of the extremely inefficient economic system in Russia.

intensive machines of development. It would seem that the West is continuing to export a mode of development that has lost much of its appeal in the West. It behooves developing countries to reflect upon this state of affairs, to pause to consider the ultimate purposes of their development efforts, and to explore alternative scenarios.[8] One advantages of still being a developing country, after all, is that of being in a position to learn from the errors made by the more developed nations.

NOTES

1. Congressional Research Service, "The New Directions Mandate and the Agency for International Development," Mimeographed (Washington, D.C.: Library of Congress, 1981), Chapter 4.

2. David D. Gow et al., "Local Organizations and Rural Development: A Comparative Reappraisal," 2 vols., Mimeographed (Washington, D.C.: Development Alternatives, Inc., 1979); United Nations Research Institute for Social Development. Rural Cooperatives as Agents for Change (Geneva, 1975).

3. A.H. Barclay et al., "The Development Impact of Private Voluntary Organizations: Kenya and Niger," Mimeographed (Washington, D.C.: Development Alternatives, Inc., 1979).

4. For reasons behind this, see R.H. Bates, Markets and States in Tropical Africa (Berkeley: University of California Press, 1981).

5. For a discussion of these phenomenae, see Ira C. Magaziner and Robert B. Reich, Minding America's Business: The Decline and Rise of the American Economy (New York: Harcourt Brace Jovanovich, Publishers, 1982); U.N. Centre on Transnational Corporations, Transnational Corporations and Transborder Data Flows (New York, 1982); Organisation for Economic Co-operation and Development, Interfutures: Facing the Future, Mastering the Probable and Managing the Unpredictable (Paris, 1979).

6. For details, see Daniel Lerner and Wilbur Schramm, eds., Communication and Change in Developing Countries (Honolulu: East-West Center Press, 1967).

7. For a comprehensive assessment of the implications of the communications revolution for developing countries, see U.N. Centre on Transnational Corporations, Transnational Corporations.

8. For an excellent starting point for these reflections, see O.M. Markley, ed., Changing Images of Man (New York: Pergamon Press, 1982).

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Appendix A

Introduction to Workshops on the Assessment of Alternative Development Approaches

BACKGROUND

It is well known that, at the beginning of the seventies, most donors adopted new objectives and methods for their development assistance. In place of a focus on maximizing GNP per capita, donors at least paid lip service to the new distributional objective of assisting the rural poor. Methods such as sector loans, large infrastructure projects, concerns about macro economic policies, planning, and the overall level of resource transfers gave way to methods characterized by the following words and phrases: participation, evolutionary processes, self-reliance, grass roots, bottom-up, local participation, area development, integrated approaches, small projects, decentralization, appropriate technology, sociocultural awareness, basic needs, "small is beautiful," and "they know how."

Much has been learned from the efforts of the last few years to introduce the "new style" concepts into foreign assistance operations. Indeed, even the most severe skeptics have been convinced that we should not return completely to the old approaches. But it is now time to attempt an objective assessment of what has been tried and what has been accomplished.

A QUESTION OF FOCUS

It could be argued that the inquiry should focus on the strengths and weaknesses of "new style" approaches. This would be too limited an approach for several reasons. Firstly, there have been few, if any, pure applications of the new style approaches, thereby making it quite difficult to draw comparative inferences. Secondly, development professionals with the sort of field experience we want to tap have been exposed to the good and bad features of new and old style projects. Thirdly, this sort of systematic assessment has never been made for the old approaches.

STRUCTURING THE INVESTIGATION

Senior development professionals with busy schedules will be attending the seminar. In order to make the best use of their time, the workshops will focus on a list of propositions. In drawing up this list of propositions, an attempt has been made to focus on the key elements that distinguish "new style" from "old style" approaches. Also, the propositions have been stated in a provocative manner to spark interest.

The purpose of the workshop series is not to reach a consensus on these questions; rather, it is to gather insights from the participants on these important issues.

Propositions

1. It was naive and arrogant for donors to think they would be permitted to focus their development assistance on the poorest segments of rural populations. The result of these efforts has not been a reduction of income inequalities; instead, they have led to unnatural development projects where benefits will not be sustained. They have also generated irritation and mistrust among and within agencies, donors, and their recipient country counterparts. A different emphasis is called for wherein one accepts the necessity and desirability of working with existing power structures and the most progressive and dynamic elements in the rural areas, hoping that over the long term, questions of income inequalities and other problems can be addressed as they emerge.

2. The empirical evidence on the distributional impact of "old style" development approaches is not adequate to justify a general condemnation of those approaches; similarly, empirical evidence on the impact of "new style" projects does not warrant acceptance or condemnation of these approaches. It is time that an objective, comparative assessment is undertaken so that the strengths of both approaches can be preserved and built upon.

3. The traditional approach of attempting to use central line ministries to implement multi-sector (integrated) rural development projects needs to be reconsidered in the light of problems in getting ministries to cooperate and coordinate their activities. An alternative would be to empower lower-level governments from province to village level to effect the required coordination among the area representatives of the ministries. Perhaps the latter approach has a better chance of succeeding in African countries than in Asia or Latin America.

4. Despite a tremendous amount of research on participatory approaches, there is virtually no useful information being disseminated on how to operationalize the concept in field settings. In addition, there is no evidence to suggest that participatory approaches can be broadly replicated by donor agencies at reasonable cost.

5. Today, it is very much "en vogue" to talk of using local organizations to implement development initiatives. Inadequate attention is being given to the well-documented shortcomings of these organizations, e.g., they are often quite exploitative and they are not set up to effectively use large sums of money.

6. In recent years, too little attention has been paid to the overriding importance of national economic and political policies on the chances for project success. During both project design and implementation phases, attention needs to be directed to the specific ways these policies can interfere with projects attaining their

goals. Projects should not be initiated when these policies constitute serious obstacles.

7. It will usually take a minimum of ten years of donor support before "new style" projects can be expected to generate self-sustaining benefits. This should be explicitly recognized in project design papers. If this is a longer time frame than donors can accept, they should leave this development approach to others. However, this approach should not be abandoned before its potential benefits have been compared to the benefits of alternative approaches.

8. Projects intended to provide for the basic needs of the rural poor usually focus on extending social services in one or more of the following areas: education, health, nutrition, and family planning. More attention needs to be given to the shortcomings of these projects, i.e., large future recurrent cost/manpower burdens and immediate increases in fertility rates. Given these consequences, rural development projects should focus initially on income generating activities.

9. Project proliferation is becoming a serious problem in many developing countries. This problem stems largely from donor insistence on sponsoring their own, discrete projects, with separate project coordinators. The result has been a horizontal spreading of ministries, with a concomitant breakdown in central control over policies and development initiatives. Where this problem is serious, donors would get a higher return from project consolidation efforts and from recurrent budget and balance of payments support than from further project initiatives.

10. The content and mix of long- and short-term expatriate technical assistance provided to projects needs to be reviewed. The common practice is for the terms of reference to call for a number of technicians to take up long-term posts overseas. Good technicians have numerous economic opportunities, and only in rare cases will they be willing to accept long-term postings in the rural areas of developing countries. The consequence is that technicians of inferior quality get the assignments. An alternative staffing strategy would be to attract people interested in living overseas who are culturally sensitive and experienced (such as persons who have worked as Dutch Volunteers or in the U.S. Peace Corps) for the long-term postings. Needed technical assistance would be supplied by short-term staff, who would work out action plans with the long-term staff and their counterparts.

11. Currently, there is considerable interest in increasing the role of the private sector in development activities. This is manifested in:

1. Efforts to promote small-scale enterprise/off-farm employment;

2. Consideration of ways to increase the role of large- and medium-sized foreign enterprises in developing activities; and
3. Discussions of the role of nongovernmental organizations (NGOs).

So far, efforts to significantly increase the role of small-scale enterprises in the development process have been unsuccessful; as regards the second point, it appears that there are few instances in which foreign enterprises would be willing and/or effective in substituting for public development assistance.

There has been no objective assessment of the comparative strengths and weaknesses of NGOs, consulting firms, international agencies, or the Dutch aid agency at carrying out different development activities.

12. As part of the effort to reach the poorest segment of rural societies and for other reasons, projects have been initiated in remote areas of developing countries. Frequently, these projects have encountered serious logistical and communications problems. These problems are just as real as any other and greater recognition should be given them in selecting project sites.

13. Experience suggests that the potentially most beneficial project initiative cannot be anticipated during the project design phase. Consequently, rather than attempting to "blueprint" the entire project during the project design phase, it might be better to specify preliminary activities only, setting aside perhaps 50 percent of project funds. Decisions on how these funds should be spent could be worked out one or two years after project commencement.

14. Much attention is now being given to the problems of implementing multi-sectoral projects, with the inference being that there should be a return to sector-specific projects. The inference is extremely questionable. Sector-specific projects have their own problems, not the least of which is their failure to instill an understanding of how to recognize and set priorities among the multi-faceted elements of a development process.

Index

Absolute poverty, 49-50
AID. See U.S. Agency for International Development
Alliance for Progress, 24-25, 27
Appropriate technology, 35-37, 65
Basic needs concept, 32-33
  policy, 37
  consequences of the provision of, 51
Bilateral development financing, 1, 2(table), 3(table), 6(table), 8(table)
  See also Development financing
Bonker, Don, 81
Brookings Report, 38
Bureaucratic conflict
  consequences for aid contractors, 71
  consequences for aid in LDCs, 67-69
  consequences for aid technicians, 72
  in donor agencies, 70-71
Byrd, Harry F., 82
Centrally planned economies, 4, 6, 7(table)
Chenery, Hollis B., 37
Church, Frank, 21, 80
Cline, William, 53
Communication technologies, 102-103
Diggs, Charles C., 37
Development assistance
  absolute income differentials, 50
  gap between rich and poor nations, 48-49
  income measurement, 50
  indicators of progress, 49, 50(table)
  preferential trade agreements, 60
  recurrent expenditures, 60-61
  untied hard currency grants, 59-60
Development assistance committee, 4, 5(table), 6(table, 7(table)
  rationale for aid, 63
Development financing
  domestic savings, 2(table), 9, 25
  external sources, 2(table), 3(table)
  official development assistance, 3(table), 5 (table), 6(table), 7 (table)
  overview, 1(table), 3 (table), 6(table)
  See also World Bank, Multilateral development financing, Bilateral development financing
Development models
  Harrod-Domar model, 22-23
  Liberal model, 21
  Millikin-Rostow model, 22, 80

Resource constraint model, 22-23, 25-26
Dutch foreign aid, 92-95
Food for Peace, 14
Foreign assistance legislation, 20-22, 27, 76-80, 83
Fulbright, J.W., 27, 80
Gilligan, John J., 21
Gordon, Lester, 38. See also Brookings report
Griffin, Keith, 29
Gross, H.R., 82
Growth with equity, 48, 52-56, 65
Harris, Louis, surveys, 75
ul Haq, Mahbub, 31
Humphrey, Hubert H., 77, 79
India
per capita income, 50
placement of technicians, 64
Institute of Social Studies, The Hague, 92, 109
Inter-American Foundation, 81
International Development Cooperation Agency, 14, 76-77
International Labour Office, 49
International Labour Organisation, 31-32
International Monetary Fund, 31, 61-62, 68
Kenya
number of aid projects, 101
Long, Clarence, 77, 79, 80
Low-income countries, 4, 6, 9
McNamara, Robert, 26-27, 48
Marshall Plan, 19-20, 22, 24, 37
Middle-level countries, 4, 6, 101, 103
Military expenditures worldwide, 11-12
Morawetz, David, 49-54
Multilateral development financing, 7, 8(table), 9, 10(table)
See also World Bank, Development financing
Morse, Wayne, 27
"New Directions"
evaluation of programs, 91, 95, 100
implementation of objectives, 31-32, 95-100
policy objectives, 26-30, 47
research, 93
Norway
provision of recurrent expenditures, 61
Organization of Petroleum Exporting Countries, 4, 6, 7(table), 9, 10(table)
Papanek, Gustav, 53
Passman, Otto E., 83
Pease, Donald J., 80
Percy, Charles H., 81
Point Four Program, 20
Population growth, 51-52
Private voluntary agencies, 93-95
Recurrent expenditures, 60-61
Sri Lanka
unemployment, 52
Staley, Eugene, 51
Streeten, Paul, 28-29
Subsaharan Africa
national political/economic polices, 67, 99-100
Tanzania
lack of recurrent funds, 61
foreign technicians, 64
Trade barriers, 102
U.S. Agency for International Development
assessment of programs, 103-104
bureaucratic characteristics, 83-85
bureaucratic conflict, 71
disbursement of funds, 13 (table), 14, 15(table)

Office of Public Affairs, 81
policy objectives, 26-31, 37, 47
research, 31-32, 34, 93-94
U.S. economic and military assistance
future scenario, 104-106
historical overview, 12-13(table), 14, 15 (table), 16, 19
opposition to aid, 82-83
public opinion of aid, 75, 86 fn 1
rationale for aid, 64-66
rationale for congressional support, 77-79, 82
rationale of executive branch support, 75-78
security supporting assistance, 63
See also U.S. Agency for International Development
War on poverty, 25, 27
Western labor force, 101-103
White, Theodore, 19
World Bank, 2, 9, 10(table), 26
policy objectives, 26, 31, 47
research, 31-32