

PN-AAG-750

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**A strategy for
a more effective**

**BILATERAL
DEVELOPMENT
ASSISTANCE
PROGRAM:**

An A.I.D. Policy Paper

March 1978

Agency for International Development

**A STRATEGY FOR A MORE EFFECTIVE
BILATERAL DEVELOPMENT ASSISTANCE PROGRAM:**

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PREFACE

This paper was first drafted in the summer of 1977 in order to serve as a background paper on bilateral development assistance for the Development Coordination Committee (DCC) Foreign Assistance Study (October 1977). The current version has been revised to take into account comments received from other AID bureaus and USG agencies but retains the same basic structure and content as the version which contributed to the DCC study.*

Subsequent decisions and initiatives by the Administration and the Congress reflect the development assistance strategy set forth in the paper: to support the achievement of self-sustaining equitable growth oriented toward the satisfaction of basic human needs. The DCC study and a Brookings Institution study, An Assessment of Development Assistance Strategies (October 1977), provided bases for recommendations to the President by his Policy Review Committee. The President decided in November 1977 to seek a substantial increase in U.S. development assistance over the next five years in support of a strategy which concentrates first on meeting basic human needs of poor people in low-income developing countries, with the flexibility to direct

* The current and earlier versions of this paper have been drafted by staff of AID's Bureau for Program and Policy Coordination (PPC), but have drawn on comments and previous work of other bureaus, in particular the Bureau of Intragovernmental and International Affairs (IIA), and the Development Support Bureau (DSB).

U.S. programs towards meeting basic human needs of the poor in middle-income developing countries, when funds allow.

Within AID several significant and related steps have been taken concurrently or subsequent to the preparation of this paper. These include the implementation of the task force report on the Organization and Structure of A.I.D. (October 1977); the development of the report of the AID Program Procedures Task Force (to be issued in Spring 1978); and AID's 1978 report to Congress on Section 102(d) of the Foreign Assistance Act (assessment of development commitment and progress). These reports are consistent with the program strategy put forward in this paper; they in fact represent steps toward its implementation.

On January 25, 1978, proposed new foreign assistance legislation was introduced in the Senate, and subsequently in the House (the International Development Cooperation Act of 1978). The proposed legislation, also known as "the Humphrey Bill", would have U.S. bilateral assistance and participation in multilateral institutions "emphasize programs in support of countries which pursue development strategies designed to meet basic human needs and achieve self-sustaining growth with equity" (Section 101 of S.2420, January 25, 1978).

The bill also recognizes a "long-term need for wealthy countries to contribute additional resources for development purposes" and calls for the United States to "take the lead in concert with other nations to mobilize such resources from public and private sources" (ibid.).

INTRODUCTION

The purpose of this paper is to set forth a strategy for U.S. bilateral development assistance capable of effectively supporting developing country efforts to satisfy, through sustained and equitable economic growth, the basic human needs of their populations. This strategy does not imply a change in the "new directions" approach; rather it is a further evolution of that approach.

The basic objective of the strategy is to enable the poor, including women, in developing countries to meet their basic human needs on a sustainable basis. Major elements of the strategy include: (1) assisting the poor to increase their incomes--through raising their productivity and access to productive resources as well as expanding their opportunities for productive employment--; and (2) increasing the availability of and access to goods and services required to meet basic human needs. The strategy also involves effective popular participation by the poor (again, including women) in decision-making so that their needs, desires, capacities and indigenous institutions are recognized, understood, and given major weight. Without such participation there is a strong possibility the poor will not benefit, that their basic needs will not be met. 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. Enhancement of human rights is a fundamental objective of bilateral development assistance.

After a discussion of the relations between basic human needs, development objectives, U.S. interests, and the need for development assistance, the paper identifies a strategy for more effective assistance in support of basic human needs-oriented development, indicates some steps and issues for its implementation, and sets forth an outline of programs for the major sectors of assistance.

The paper deals primarily with the development objectives of bilateral development assistance. It concentrates on the functional account development assistance programs administered by AID, but also contains a brief discussion of the developmental role of P.L. 480 food aid. A Food for Development-Food Aid Policy Paper currently being prepared will expand that discussion. Furthermore, Congress has declared, and the President agrees, that while recognizing its different objectives, security supporting assistance should also follow new directions objectives to the greatest extent possible. Therefore, the policy and strategy elaborated in this paper are intended to apply to the greatest extent possible to security supporting assistance as well.

The paper does not address the implications of the proposed strategy for AID organization and staffing. AID's general form of organization, which features reliance on relatively strong field

missions supported by field-oriented headquarters bureaus in Washington, is well-suited to a basic human needs-oriented assistance strategy. Through strong resident field missions, AID can maintain close working relations with host country officials at all levels of government, can closely monitor programs and projects as they develop, and can assess rapidly changing economic and political conditions and adapt its programs to fit changing needs. Effective performance of these tasks will require strengthening of capacities in the field professional staff in economics and other social sciences, as well as selective increases in other qualified technical staff. These issues are more fully addressed in the Report of the Task Force for the Administrator, Organization and Structure of A.I.D., October 1977.

I. U.S. Interests and Development Assistance Needs

A. Basic Human Needs Objectives and U.S. Interests

The United States has vital economic, political, security, and humanitarian interests in the less developed countries. In many respects their development is basic to the realization of U.S. interests.

Looking at these interests in a negative way, we can see that if present trends in world hunger, population growth, environmental degradation, energy shortages, resource depletion, nuclear weapons, proliferation, and armed conflict continue unabated, the world by the end of this century could become increasingly unstable, suffer economic stagnation, and be a much more dangerous place in

which to live. Somewhat over six billion people may well be crowded into it, compared to four billion today. Average standards of living could well drop significantly not only for the inhabitants of the poor countries, already living at subsistence, but for most of us. Many more people throughout the world would be malnourished and die early of hunger and disease. Political freedom and respect for individual rights could be confined to only a corner of the earth, and under increasing attack. Such circumstances of poverty and economic and political tension have throughout history bred violence, domestically and internationally.

There is no way that we in the richer countries could avoid being affected by these global problems, any more than those in the poor countries can. Indeed all the world's people have a clear stake in changing this picture for the better. And the shape of the world to come will depend on the efforts we make now. If we delay action, the future costs, in terms of both human suffering and resources, could accelerate sharply. We will be affected not only by what we read in the newspapers, but by what we pay for food and energy and by the deteriorating quality and productivity of the global natural environment we share with every other nation and person on earth.

In this effort the developing countries must play a major role. Without their commitment and cooperation little will be achieved. The United States must, therefore, support those efforts which contribute to economic, social, and political advancement of the

developing world. In this endeavor, foreign assistance constitutes one range of instruments which can be used to help shape the future in ways more compatible with our interests; it can provide critical support to joint efforts by nations -- rich and poor -- to address and solve such global economic development problems as world hunger and malnutrition, population growth, environmental degradation and energy scarcity.

Economic and social development is a long-term process that has often stimulated pressures for political change with violent manifestations and anti-U.S. rhetoric. In the face of these events, the United States must maintain a long term perspective on the need for development assistance and gear it to long term objectives. The United States needs to view development objectives as central to U.S. interests in order to protect the programs from disruption by shorter term considerations.

Development experience in many of the LDC's since World War II has been marked by very creditable performance in such terms as the growth of GNP, the reduction of epidemic disease, and the spread of literacy. External development assistance helped contribute to this performance, and in some cases played a vital role. By the end of the decade of the sixties, however, donors and recipient countries were becoming increasingly concerned that, even in countries where overall economic growth was impressive (5% a year or more), the distribution of its benefits was often extremely uneven. Such measures as income, underemployment, caloric intake, infant mortality, life expectancy, debilitating disease incidence, illiteracy and

fertility indicated that in many countries the poor, who in most countries are a majority of the population, had enjoyed very little if any of the benefits of national economic and social growth.

The development assistance community, including AID, has responded to this situation by seeking to broaden strategies of development that concentrate on growth alone (leaving the alleviation of poverty to the presumed automatic workings of "trickle-down" effects) through explicit emphasis on the distribution of the benefits of development. These "equity-oriented" or "poverty-focused" strategies have taken several forms. Because rising and widespread urban unemployment in developing countries first became widely apparent in the 1960's much of the initial interest was in formulating more labor-intensive strategies. Investigation of the employment implications of various growth patterns led to renewed interest in the processes and policies which had brought about the bifurcation of many developing economies into a modern, urban-oriented, capital-intensive sector and a traditional labor-intensive sector, linked only tenuously and separated by vast differences in income levels.

This renewed interest gave rise to efforts to devise approaches aimed at modifying this "dualistic" pattern of development and reducing the associated income disparities. These efforts included the "redistribution-with-growth" strategies proposed by the World Bank and others. These strategies envisage combining high growth rates with redistribution measures to improve the position of the lowest income groups. Because of political limitations on the

feasibility of large-scale redistribution of physical assets (such as land and capital) and financial constraints in low-income countries on transfer of current income through fiscal measures, the redistribution with growth approach has stressed the orientation of investment toward activities and programs benefiting the poor by increasing their productive capacity and improving their access to infrastructure and services.

The basic human needs approach was first explicitly put forward in an international forum by the International Labour Office at its 1970 World Employment Conference, and subsequently elaborated by others, including the World Bank and the OECD.* The October 1977 DAC High Level Meeting of heads of bilateral aid organizations gave it further endorsement when they announced a determination to direct, in cooperation with developing countries, "progressively larger efforts to programmes meeting basic human needs."

The basic human needs approach represents a further evolution and extension of the labor-intensive and redistribution-with-growth concepts. It includes the same emphasis on participation of the poor in the benefits and process of development as the "new directions" legislation for U.S. development assistance; what distinguishes the basic needs approach from these other "equitable growth" approaches is more a matter of degree and emphasis than any fundamental differences. It combines the employment and equity features of earlier

* Elaboration of aspects of the basic needs approach at the country level can be traced back at least as far as analysis prepared for the Indian Planning Commission in the early sixties.

approaches with an explicit concern for increasing the production and availability of basic goods and services for the poor majority. It focuses directly on the current and future well-being of individuals, particularly the poor, by postulating a minimally acceptable standard of living and then making that standard of living accessible to as many people as possible on a sustainable basis.

International discussions of basic human needs have tended to define needs in terms of the minimum requirements of a family for productive survival. These include basic requirements for (1) consumption provided in most non-centrally planned economies primarily through the private sector (e.g., food of sufficient quantity and quality to satisfy basic nutritional requirements, adequate housing and clothing) and (2) essential services provided in most countries directly or indirectly (through regulation) by various levels of government (e.g., safe drinking water, sanitation, and basic health, family planning, and education facilities and services).

Targets for meeting these requirements can be established in several ways. They may be set for certain levels of physical well-being or status, such as infant mortality, life expectancy, fertility or literacy, to be achieved by all or a certain proportion of the population by a given date. These kinds of targets would need to be supplemented for purposes of planning at the country level by employment and income targets for the poor that would permit them to purchase food and other goods and services essential to their basic needs, along with other commodities normally included in local consumption patterns at such higher income levels. Finally,

production, program, and resource targets would have to be established such as type, coverage, and cost of agricultural research and infrastructure facilities; of potable water and sanitation facilities; of health, family planning, and education services, etc. Ideally, all three kinds of targets should be established; in practice, owing to conceptual and data limitations, the mix will vary from setting to setting. Increased effectiveness in meeting basic needs objectives will nonetheless require increased emphasis on setting measurable goals targets in terms of levels of well-being or status, including associated improvements in data and analysis. The purposes -- and limitations -- of target setting for the accomplishment of basic human needs objectives are discussed further below.

To realize basic human needs objectives, there must be a rate and pattern of growth that provides for growing production and supplies of basic goods and services and for a pattern or distribution of increasing income that enables the poor to obtain needed goods and services. Increasing the amount of income in the hands of the poor, in countries with a substantial private sector, will result in better satisfaction of many of their basic needs. But even in these cases explicit government action will usually be required to increase the supply of and access to those services already in the public sector, such as education and health, and those services which government furnishes for the private sector, such as agricultural research and extension and rural infrastructure. Access requires attention to geographical coverage, especially to rural areas, and to technologies and types of services which are relevant to the needs of the

poor and sustainable. The basic human needs approach serves to raise explicitly these supply and access questions.

The production and income (or supply and demand) sides of the basic needs approach are closely linked, however. This follows from the large proportion of the labor force, often substantially under utilized, which the poor constitute in many countries. The poor must therefore be involved through increased and more productive employment in the direct production of goods and services which meet basic human needs, such as food, and in other productive activity which gives them the purchasing power to obtain the goods and services they need.

In other words, to be sustainable, a development strategy in support of the provision of basic human needs requires broad-based economic growth in which the widespread productive participation and benefit of the poor is an essential feature. This interpretation contrasts with one that characterizes basic needs-related assistance as "humanitarian" and other types of assistance as "developmental." Unless basic needs is considered an integral aspect of development, to be built into, rather than "added onto," growth, a massive and unrealistic welfare transfer program would be required to meet the essential needs of the poor. While redistribution in the form of subsidized basic services to the poor, and of income and food to the unemployable and to nutritionally vulnerable groups, have a role to play in a basic human needs approach, expanded and more productive employment must be the primary means for getting increased income into

the hands of the poor. Without increased production and employment, the required welfare transfers would be not only beyond the political feasibility and administrative capability of most less developed countries, but also beyond their productive capacity to sustain.

The emphasis of basic human needs-oriented development strategies must therefore necessarily be on increasing the productive base of developing country economies. But the way in which this is to be accomplished is crucial; it must involve some combination of:

- expanded access by the self-employed poor to productive resources (such as land, water, credit, and the improved techniques, tools and materials that go with them);

- increased investment and production in sectors and techniques which make greater use in labor surplus situations of abundant unskilled labor relative to scarce factors of production; and

- expanded basic services of health, nutrition, family planning, and education which improve over time the productive capacity and employment potential of the poor.

Moreover, the expansion of productive employment can only come about from increased investment in and production of both basic needs-related and other goods and services -- for both domestic consumption and, for many countries, export. Accelerated investment and economic growth are thus essential prerequisites for the achievement of basic needs objectives. The required acceleration in growth is particularly substantial for many lower income and least developed countries where

little or no growth has occurred.*

All these efforts will often require internal structural, institutional and economic policy reforms in order to stimulate saving and investment, widen access to resources and employment, and increase incomes for the poor (e.g., land tenure reform, pricing policy changes, etc.). Without such reforms, the intended results of other efforts to benefit the poor can be more than offset.

It has sometimes been assumed that rapid growth may be incompatible in the short run with greater employment or reduced poverty and inequality, and that developing countries must go through the historical sequence of "growth now, justice later". This need not be the case. Labor-intensive development programs, typically associated with major economic policy and redistributive (land tenure) reforms, can generate significant economic growth with equitable distribution of the benefits of such growth, as the cases of Taiwan and South Korea have demonstrated. In typically capital-short, labor-abundant developing countries, the more efficient use of capital and greater use of labor implied by a basic human needs approach should result in more effective use of resources and thus higher growth rates. Moreover, the provision of adequate food, health services, and education can make poor people more productive by improving their nutrition, health, and skills; this is a form of investment in "human capital" which can over time yield a high return. Furthermore, improving economic opportunities as well as levels of

* See crude global projections in papers prepared by M. Hopkins, H. Scolnik, and J. Stern in Background Papers for the ILO's World Employment Conference (Geneva: ILO, June 1976).

education and health for broader masses of the population, including women, will facilitate the widespread change of attitudes in favor of smaller families, which is so critical to reducing the high population growth rates that impede development.

In sum, the basic needs approach, supported by adequate levels of funding, may be the strategy which is most consistent with U.S. long-range self-interest and humanitarian values. By helping to solve the problems of poverty in the world, it can help to reduce population growth; keep food prices within reason; slow down world-wide inflation; create more prosperous markets; slow down rural-urban migration. Perhaps most important, it can provide an outlet for relieving the pressure of social injustice and economic waste other than through repression and regimentation by enlarging the potential for broad-based development to take place in a framework of individual freedom and respect for human rights.

B. Advantages of the Basic Human Needs Concept as an Organizing Principle for Development

There are several advantages to the use of "basic human needs" as an organizing principle for equity-oriented development strategies. First, basic needs is a concept which is easier to grasp, thereby providing a better basis for public support, than complex under-employment measures or equality indexes; basic needs relate directly to individual well-being and to human rights, while employment and income distribution are further removed (because they are largely means, albeit very important means,* rather than ends).

* At levels beyond the satisfaction of core basic needs essential for productive survival, employment is often viewed as a desirable end in itself, as well as a means. Absolute poverty defined in terms of a "poverty line" family income is an important complementary indicator, at the country-specific level, to more "ultimate," physical indicators of basic needs status, such as infant mortality.

Second, while the basic needs approach retains a concern for growth and relative poverty, its additional emphasis on absolute poverty encourages the establishment of broadly agreed targets and indicators that are directly relevant to individual well-being. The establishment of easily understood goals (in terms of levels of infant mortality, life expectancy, fertility, and literacy; a country-specific "poverty line" family income; the availability of food, health services, education, etc.) could help in forming greater consensus on development objectives, assessing priorities, identifying needed policy changes, and mobilizing effort and resources. Accordingly, efforts should be supported to develop, in international fora, acceptable standards for core minimum needs designed to have wide applicability among developing countries, after proper allowance for variations in age, sex, climate, etc. If these efforts were successful, the resulting standards could be used to measure progress among countries in reaching basic needs objectives and thus constitute international norms which countries might feel impelled to attain (see the discussion below in Section I-C of current attempts to establish basic needs standards and targets). Along with "minimum needs" standards which might be internationally agreed to, individual countries may want to establish targets for meeting basic human needs beyond the "minimum". Country-specific targets will depend heavily on each country's level of development, its resources, and its goals.

Finally, there is broad agreement by many donor and developing country representatives on the desirability of focussing development efforts on the achievement of basic human needs objectives. Most

donor organizations have gone on record as favoring a basic needs approach. Developing country representatives have by and large endorsed or called for serious consideration of the approach in such fora as the meeting of non-aligned nations in Sri Lanka in 1976 and through the address of the Group of 77 spokesman at the U.N. in September 1977. Despite criticism by some developing countries at the 1976 World Employment Conference of some aspects and perceptions of the basic human needs approach, there was universal agreement that a central goal of development is the satisfaction of basic human needs, and there was broad agreement by most developing country representatives on the essential elements of a development strategy for achieving basic needs objectives.

It is nonetheless useful to review some of the main criticisms -- particularly from developing country spokesmen -- of the basic human needs approach. There has been some criticism that the approach implies dictation by rich countries to LDCs of basic needs definitions, targets and policies. On the contrary, international discussions of the basic needs approach have invariably concluded that the developing countries must take a leading role in defining basic needs objectives and policies, and that any international standards for "minimum needs" can be established only in fora where they actively participate. A related tenet of most characterizations of the basic human needs approach is that the people who are to be benefited should themselves participate in the definition of basic needs and in the formulation of actions to meet basic needs.

Several other criticisms are closely related to each other; namely, (1) the concern with the achievement of "minimum needs"

objectives implies a reduced commitment by the developed countries to the provision of development assistance and other resource transfers to the LDCs; (2) the perceived emphasis on food, health and education delivery services as opposed to productive capacity is inimical to economic growth in the LDCs and is intended to maintain their backward position and dependence on the developed countries; and (3) to the extent the approach does include production, it is for agriculture as opposed to industry, generally labor-intensive and small-scale production as opposed to capital-intensive and large-scale production, and intermediate technology as opposed to advanced technology. The end result, according to this last criticism, is that backwardness and dependence are perpetuated.

There are several responses to these criticisms. First, existing rough estimates of the resources required to achieve "minimum" needs targets by the year 2000 imply that current levels of concessional development must substantially increase in order to meet these objectives (these estimates are discussed further below). The requirements for achieving basic needs levels beyond the minimum are even greater. Second, as already noted, successful implementation of a development strategy in support of basic needs objectives will require an acceleration of economic growth and will itself over time contribute to growth. And while the role of agriculture tends to be emphasized, particularly in low income countries, employment generation in labor-intensive industry is also an important element of a basic needs-oriented strategy. Further-

more, advanced, relatively capital-investment technology may represent in some instances the least costly and most effective way of reaching the poor or solving their problems (e.g., communications, agricultural and health research, etc.).

Notwithstanding these responses, developing countries may well want to increase their use of advanced technology or strengthen heavy industry for reasons having to do with security, self-reliance or prestige while at the same time taking steps toward the achievement of basic needs objectives.

Underlying the expressed views of some of these LDC critics, there may be an accurate understanding of a basic human needs-oriented development strategy and its implications for internal reforms. The criticism that a basic needs approach is anti-growth or anti-employment may serve as a convenient smoke screen to avoid confronting issues of internal reform, particularly when strong LDC vested interest groups and their spokesmen fear a loss of economic and political power from internal reforms.*

C. Development Assistance Needs and Basic Human Needs Objectives

The financial resources the U.S. has put into the effort to deal with poverty in the world have been substantial in absolute terms, but meager when compared to our capacity, to the efforts of other countries, or to the size of the problem. Relative to the

* The internal reforms often implied by the basic needs approach are also related to the reforms in economic relations between developed and developing countries called for by LDC spokesmen under the "New International Economic Order" (NIEO). These relationships are not all clear-cut, however. Some are likely to be complementary (e.g., reduced trade barriers), others, in conflict (e.g., automaticity of resource transfers to LDC's), and others will depend upon the country situation. These relationships are not analyzed in this paper but are the subject of a forthcoming paper being drafted in the IIA Bureau of AID.

objectives of helping countries meet minimum basic human needs and build a self-sustaining capacity to progress beyond the bare minimum, current levels of aid are inadequate.

Unfortunately, owing to severe data and methodological problems, it is not possible to say just how inadequate. It is possible, however, to give some indication of the steps involved and the problems encountered in some recent attempts to provide more precise quantitative estimates of aid requirements to meet basic human needs objectives. The first step in any such attempt is to set objectives targets for basic human needs. One approach is to frame these objectives in terms of the status or well-being of individuals. Target values for some indicators of well-being have been suggested by the 1976 Club of Rome report (entitled Reshaping the International Order--or the "RIO Report") as goals toward which all countries might strive by the year 2000: life expectancy at birth of 65 years of more (compared with a current average of 71 years for countries with 1974 per capita GNP above \$2000; 55 years for countries with 1974 per capita GNP below \$2000; and 48 years for countries with 1974 per capita GNP below \$300); an infant mortality rate of 50 per thousand births or less (compared with current averages for the country groupings defined above of 21, 101 and 134 per thousand, respectively); a birth rate of 25 per thousand/or less (compared with current averages as defined above of 17, 35 and 40 per thousand, respectively); and a literacy rate of at least 75% (compared with current averages

as defined above of 97%, 39% and 33%, respectively).* An alternative approach would be to halve the gaps between developing countries and the developed countries for these indicators by, say, the year 2000.**

Agreement on such objectives targets in U.N. fora may, as indicated in the previous section, serve as useful benchmarks against which to measure and motivate progress. However, because of the many factors, including country policies, which influence these objectives, it is extremely difficult to make meaningful quantitative estimates of the resources required to achieve them -- even on a country-by-country basis --, let alone on a global basis. Two preliminary efforts have attempted to estimate such requirements on a global basis, but they involve heroic simplifying

* Reshaping the International Order: A Report to the Club of Rome, coordinated by Jan Tinbergen (New York: E.P. Dutton and Co., Inc., 1976), p. 130. Comparative figures from John W. Sewell and the Staff of the Overseas Development Council, United States and World Development: Agenda 1977 (New York: Praeger, 1977), Table A-1, p. 157.

** This relative approach to basic needs targets has been suggested by James Grant of the Overseas Development Council. Grant proposes halving by the year 2000 the gap between each developing country and the developed countries as a group for infant mortality, life expectancy at age one and literacy. He finds this to imply an annual reduction of the gap for each indicator of roughly 3 1/2 per cent. He observes that these relative targets would be less demanding of the poorest countries than the absolute targets proposed in the Rio Report. He also argues that the experience of such countries as Sri Lanka suggests these targets, while difficult, are "not impossible to obtain." James Grant, Targeting Progress in Meeting Basic Needs (mimeo. draft; Washington, D. C.: Overseas Development Council, February 1978), quoted portion from p. 11.

assumptions and suffer from substantial conceptual deficiencies. At best, they can only be taken as very crude indications of possible ranges of resource requirements.

Papers prepared for the ILO's World Employment Conference estimate the combinations of growth rates, income redistribution and domestic and external resources required to generate by the year 2000 incomes for the poorest 20% (of the populations of each of 15 world regions) sufficient to permit them to purchase the goods and services necessary to satisfy basic needs.* Their analyses suggest that basic needs in the developing countries could be satisfied with a combination of significantly higher GNP growth rates than previously experienced (of the order of 9 to 10% a year), income redistribution measures, and total external capital flows (concessional and non-concessional) to developing countries of the order of \$25 billion by 1980 and \$82 billion by 2000 (1970 \$).⁰⁵ Some of the technical deficiencies in the ILO approach tend to give these estimates an upward bias, and some, a downward bias. It is therefore difficult to indicate whether the external resource requirement figures are too high or too low, particularly for 1980.**

* See previously cited papers by M. Hopkins, H. Scolnik and J. Stern.

** The \$82 billion estimated for 2000 probably has an upward bias since the methodology assumes fixed relationships between investment and output and internal and external capital requirements. To the extent that the kind of employment-intensive basic human needs-oriented development strategy outlined above is successful, the capital and foreign exchange required to achieve a given level of output should decline over time.

Other preliminary estimates of resource requirements have been made by the World Bank on the basis of sectoral investment estimates required to provide food, safe drinking water, basic health and education services, and housing to those who fall short of minimum levels of consumption of these goods and services. According to these estimates, about \$19 billion (1975 \$) of additional total investment resources (domestic and external) a year for twenty years would be necessary to meet such requirements. The addition of recurrent costs would bring estimated resource requirements to \$45-60 billion a year for 20 years. The more advanced developing countries would presumably be able to meet a significant proportion of these costs from domestic and non-concessional external sources. But the bulk of these costs--\$30 to 40 billion--would be concentrated in the lower income countries (those with less than \$200 per capita GNP at 1975 prices by the Bank definition) who, in order to raise the required resources, would need to seek substantial assistance from concessional external sources. These estimates again suffer from various technical deficiencies, including fixed technological coefficients and no incorporation of inter-relationships between sectors (food production and health services, for example). Moreover, it is not clear that the very substantial amounts included for housing, especially in rural areas, will be required in order to achieve acceptable standards of shelter.

Even allowing for a large margin of error, however, these estimates all suggest that the developed countries must make substantially more resources available if developing countries are to have any hope of achieving basic human needs objectives within a generation. For the U.S., a move over the next few years to substantially higher levels of

concessional development assistance is at least a move in the right direction. To the extent possible, other policies and programs (e.g., those related to trade and foreign investment)--some of which are capable of transferring enormous amounts of resources to poor countries--should be structured in ways that complement our development assistance, so that these resources also can be used in support of more effective basic needs approaches to development.

II. A Strategy in Support of the Basic Human Needs Approach

A. From New Directions to Basic Human Needs

Significant elements of the bilateral programs administered by AID and its predecessor agencies have addressed basic human needs. PL 480 food aid, jointly administered by AID and USDA, has often had an immediate impact on the nutrition of the poor. Furthermore, there has always been an important component of technical assistance for agriculture, health, population, and education in the programs of AID and predecessor agencies. During the fifties and sixties technical and some capital assistance to these fields focussed on building national institutions, such as those for agricultural education and extension. In addition, general program, industrial, and infrastructure assistance financed a broad range of capital and intermediate good imports and physical infrastructure projects, some of which--e.g., assistance for fertilizer plants and for development of power and transportation networks--was undoubtedly necessary to progress in fields more directly related to basic human needs.

AID shares credit for significant basic needs-related technical assistance and breakthroughs in agricultural technology, nutrition, population, and public health. While the relative distribution of the benefits flowing from the new high yielding grain varieties is an unsettled issue, the resulting absolute increase in food supplies (along with food aid) in some parts of Asia, for example, has undoubtedly reduced the incidence of famine (which by definition affects the poorest), exerted some favorable effect on nutrition, and permitted expansion in employment-generating programs where food supply has been an important constraint. Over the years public health programs supported by AID have contributed significantly to sharp declines in the incidence of communicable diseases, notably malaria. In nutrition, the work of AID on the fortification of staples, maternal and child feeding, and other areas has also focussed largely on the nutritional problems of the poor. AID population funds have supported the development of safer, more effective, and convenient family planning methods.

Notwithstanding these and other positive contributions to meeting basic human needs, progress was not sufficient to meet the basic needs of large segments of the poor in LDC's. These circumstances led to efforts during the seventies within AID and by Congress to make development assistance programs more responsive to the needs of the poor. Particular emphasis was placed on improving the access of the poor to resources and related services and institutions so as to provide opportunities to "better their lives through their own effort" (Section 102 of the Foreign Assistance Act as amended in 1973 and subsequently).

This reorientation toward the "New Directions" involved a number of challenging conceptual and practical problems and required a high degree of innovation on the part of AID and host country institutions. Experience acquired from these efforts has implications for enhanced effectiveness and broader application in future programs.

Concurrently, AID succeeded in making some notable improvements in its project design and program planning processes. The use of the "logical framework" helps to specify what is to be accomplished and facilitates post-evaluation. The use of broader problem and sector economic analysis as a basis for choice of program strategy and content also helps to focus program efforts on defined objectives. All these improvements contribute to better definition of objectives and, potentially to measuring program effectiveness and development progress.

Unfortunately, the Agency will confront some considerable obstacles to realizing these aims. Despite the improvement of recent years, a major influence in determining specific program content is the complex of factors that tend to confine choice to "targets of opportunity".

As a result, although most projects are worthy in themselves, and help many countries in many fields, overall progress, especially as related to aid levels, is hard to trace. This is partly because the incremental impact of individual aid projects is small and diffuse, and partly because we have not usually specified clearly their contribution to the ultimate achievement of defined major development goals.

We need, in logical framework terminology, to quantify our goals for meeting basic needs, and quantify the program efforts (aid, and

host country) needed to achieve those goals so that we can specify each project's contribution to them. Our aid must support host country efforts to achieve both specific, measurable ultimate goals and intermediate objectives (e.g., reduction of infant mortality by X amount by a specified time, increasing the income of the rural poor by X percent in X years, creation of an effective extension service that reaches X number of small farmers, etc.) and our programs must be directed at those goals.

Where we cannot program direct achievement of ultimate goals such as reductions in infant mortality, we should be able at least to program more intermediate targets such as changes in health practices, coverage of health delivery systems, or the institution-building needed to design, build, and operate a delivery system, and we should seek over time to improve data and analytical capability so that more ultimate status or well-being goals can also be programmed. Programs and projects should not merely aim to "improve", "upgrade", "expand", "increase", etc., but to "provide the entire institutional framework", "reach a state of full competence", "train the entire staff", or "complete the coverage" of agriculture extension or rural school or health systems.

Even where it is not possible to go "all the way" to completion or full competence or full capacity, it may be possible in many cases to measure the degree of improvement the assisted activity will achieve, and to indicate the size of the task remaining for the future. Such perspectives would help clarify the role of the proposed assistance in the country's broader development effort and provide a more understandable picture of what we are doing and plan to accomplish.

This approach to basic needs programming will require intensified and more sensitive collaboration and dialogue with recipient countries on the setting of objectives and on needed policy measures. It will also require a corresponding willingness to provide substantial and sustained levels of development assistance over a period of at least another two decades. A U.S. commitment along these lines is commensurate with our interests and with the magnitude and nature of our resources. The following sections of the paper elaborate the features and program implications of a development assistance strategy in support of basic needs objectives.

B. Features of a Basic Human Needs-Oriented Assistance Strategy

1. The size of the problem

Because "basic human needs" has come to be considered as an organizing principle for development based on equitable growth only fairly recently, strategy details in varying country settings will be evolving further for some time. The elaboration of the World Bank World Development Program and the UN Third Development Decade will be important at the global level. At the country level, the best role for bilateral development assistance (levels, parameters, emphases) in supporting basic needs-oriented strategies may become clear only after some time and considerable experiment. Nevertheless, there are some broad principles concerning a bilateral assistance strategy which should remain valid as we elaborate and progressively apply a basic needs approach to an increasing number of country situations. These principles relate to the major constraints to development in general and to meeting basic human needs in particular.

To meet the basic human needs of one to two billion people obviously requires a vast expansion in the production of goods and services, including food and fiber; health, education, and family planning services; potable water and sanitation facilities; and shelter. It will also require better access and delivery systems, including improved access to productive assets (such as land) and affordable, effective methods for the widespread provision of public services. Finally, ensuring the effective demand for the basic goods and services will require a matching increase in the incomes of the poor through increased and more productive employment. Effective demand and efficient allocation and utilization of these goods and services will require fuller participation by the poor in decision-making on public policies and services affecting their well-being.

All of these efforts, consistent with a sustained and long-term U.S. commitment to support development, require more attention to research and development, to problem-solving and increasing the capacity for problem-solving, and to strengthening the administrative and managerial capability of LDC development planning, research, and implementing institutions, so that basic needs objectives can in fact be accomplished. These are areas where U.S. government, university and private sector institutions have considerable breadth and depth of expertise. This expertise must be more effectively marshalled in support of basic needs-oriented development assistance, utilizing the wide range of AID relationships to the various sources of expertise, including special mechanisms such as Title XII of the Foreign Assistance Act.

2. The need for change

To attack these vast problems with enough force to have a significant impact, the LDCs themselves have to undertake a variety of efforts. While the factors vary considerably from country to country and are interrelated in extremely complex ways, they can be summarized under the following main categories:

(a) A stronger orientation of development strategy toward the accomplishment of basic needs objectives. Foreign aid can best contribute by helping countries demonstrate the feasibility and desirability of policies and programs which address basic human needs.

(b) Revision of legal and institutional frameworks to remove biases that work against the interests of the poor. Action on this front should tend to follow from stronger commitment to a strategy in support of basic human needs objectives.

(c) Revision of overall economic policies that work to the disadvantage of the poor by limiting market opportunities and the demand for labor. The most important general problem of the poor is the shortage of productive work. The impact of a change in economic policies which expands market opportunities for the poor as producers and as employees may be much greater than that from programs of direct government provision of resources and services.

(d) Organization and training of staff for institutions needed to do the intricate job of planning and carrying out effective development policies and programs in support of basic needs objectives. Many LDCs still do not have effective institutional systems able to deal effectively with their development problems. This is particularly true at the

sub-national levels of government, which are generally critical to any effort to meet basic needs objectives on a broad basis. In many countries, a shortage of trained people is a severe limiting factor, since it pervades all other aspects of the ability to act. Many countries are still very thinly staffed in many crucial professional and managerial areas.

(e) More comprehensive, integrated and effective systems for policy and program analysis, selection, design, implementation and evaluation. There are no obvious, easy, or ready-made solutions to the major development problems. To find effective solutions calls for much deeper analysis, more systematic planning, and carefully evaluated tests of plausible alternatives.

While at the margin the contribution of external aid is significant, the programs required are so large that aid cannot likely cover more than a small proportion of total requirements. Even if foreign aid could cover a large part of development program expenditure, governments must eventually, if not immediately, expand, operate and maintain from local resources the infrastructure, institutions, and programs established with the support of external assistance. Domestic resource mobilization is thus a crucial factor. The adequacy of domestic resources raised for operation and maintenance will depend upon human resources and organizational capacity factors, as well as political will, and especially in the case of local institutions and facilities, the degree of participation of the local population in the identification and implementation of the program. Within this context of more rational policies and more effective institutions, countries will have a better

opportunity to adapt and apply appropriate technologies which can deliver services to the poor at costs the nation can maintain and which the poor can acquire and employ themselves at a cost they can afford.

To help meet remaining needs for substantial outside technical and capital assistance, donors must be prepared to support programs in all major sectors, in both rural and urban areas, at all levels of government, and in support of non-governmental development efforts as well. This does not imply that U.S. bilateral assistance should be available for all possible basic needs-related assistance needs, since effective assistance programming calls for some degree of specialization among donors based on their capabilities and division of labor among public and private donor-country institutions. There is a good case for continued concentration in the U.S. bilateral assistance program on sectors in which AID has built up considerable experience and can draw on substantial pools of U.S. research and development and managerial expertise. This expertise has developed and adapted technologies and methods for reaching the poor majority. Examples include ways to educate more children in rural areas at lower cost (including radio instruction); to increase food availability in the marketplace by controlling rats and other pests; and to conserve water resources by improving water management on small farms. Continued and increased allocation of resources to the research and development of cost-effective approaches is essential if the majority of the poor are to be reached within an acceptable period of time.

Thus, bilateral programs have in general been aiming in the right directions, and should continue to do so. However, direction alone is not sufficient to achievement: tested approaches have to be applied on a substantial scale to pay off in meeting program goals.

III. Program Implications

A. Country Programming: A Sectoral and Problem Approach

While the broad objectives of a basic human needs policy are universal, the problems which must be addressed in reaching the objectives are of course, country specific. In one country, policy changes to affect the distribution of income and assets may be most important; in another, it may be introducing appropriate technology and providing access to services; in a third, inadequate physical infrastructure and the scarcity of capital investment in productive enterprise may be critical constraints. The programming of development assistance must, therefore, be country specific and flexible enough to assist in dealing with the concrete problems that must be resolved if basic human needs are to be met. Each country (with donor participation as appropriate) must first identify the major obstacles to progress and determine how assistance programs can promote or accelerate development in ways that can be defined and measured.

A sector or problem approach to development analysis and assistance programming could facilitate implementation of an effective U.S. assistance strategy in support of basic needs objectives. AID has pioneered in the development of the sectoral approach to development assistance. Most of the elements of this approach as described below have already been

elaborated and put into practice in varying degree. What distinguishes the proposed approach from current AID practice and experience is twofold:

(1) the boundaries of program or project focus need not be limited to a traditional "sector" in the usual sense (e.g., agriculture, health, education); they should rather be defined by common basic human needs and resource and policy constraints to meeting those needs--thus, a sub-sector such as primary education, or a geographical region, or a problem area such as environmental degradation might constitute an appropriate focus; and

(2) the sector or problem approach should be tied to the accomplishment of measurable basic human needs objectives.

The basic point of departure is that the identification and design of development activities are more likely to be effective if they proceed from systematic analysis of development needs on a sector-by-sector or problem-by-problem basis rather than from project "targets of opportunity". The approach emphasizes the need to assist countries attain the capacity to analyse, plan, and implement policies and programs to meet the basic human needs of their people on an increasingly self-sustained basis, with relatively decreasing dependence on concessional external support.

The effectiveness of a sector or problem approach is likely to vary according to a country's income level; data availability and quality; and financial, technical, managerial, and institutional capacities. Part and parcel of the approach, however, is the provision of financial and technical assistance to mount projects and programs identified through in-depth planning and analysis. Most "least-developed" countries will not be able to carry out the necessary comprehensive sector or

problem planning of which most middle-income LDCs are capable. At the same time, lack of ideal rigor should not prevent financial and technical support to a least-developed LDC that has a commitment to a basic needs approach but needs improved analytical capacity to support development programs and projects to implement that commitment.

The sector or problem approach includes area or regional approaches that cut across traditional sector lines and that may be especially desirable where regions are differentiated by ecological or socio-economic characteristics. For example, multi-sector rural development is an obvious possibility that would involve providing local jurisdictions with funds to support projects in agriculture, nutrition, health, population, education, and rural industry which have been identified by local populations and which draw on local communities as well as on central resources for design, financial support, implementation, maintenance, and evaluation.

The appropriate assistance instruments in support of the sector or problem approach will vary from situation to situation. In a country where U.S. bilateral assistance plays a relatively minor role, individual "project" loans or grants are likely to be most appropriate. In other countries where the U.S. program plays a larger role, assistance for several projects could be packaged into "sector" or "umbrella" loans or grants. Providing assistance through a cluster of projects in a sector loan or through a host country intermediate credit or technical institution may also economize on U.S. staff over that required to program a number of individual project loans or grants.

In countries where there is a strong policy and program commitment to equitable development in support of basic human needs objectives, a broader sector loan or grant could be provided in support of a broad range of specified activities within a particular sector or aimed at an identified problem. Whatever the type of assistance, it is essential that the proposed assistance result from an integrated analysis of sector or problem-wide development needs and that there be flexibility to combine training, technical and financial assistance and, depending on country needs and policies, to cover local as well as offshore procurement, and recurrent as well as capital costs.

B. Allocation Criteria: Need vs. Commitment

Among the most important issues are country allocation criteria and guidelines. We propose that these criteria be based primarily on need and commitment as measured against long-term basic human needs objectives. Country need varies greatly, depending heavily on the number of people below a poverty line or whose basic needs are not being adequately met, the country's overall per capita income level, assistance from other donors, and the extent to which the country needs help in strengthening institutions and human resources to meet basic needs objectives. Commitment to basic human needs objectives and the policy measures and programs needed to achieve them also vary greatly, and depend on a host of economic, political, social, and other

factors.* Assistance allocations would general be a function of both need and degree of commitment to equitable growth in support of basic human needs objectives.**

This raises few problems where need and commitment are both low or both high, or even where need is low and commitment is high. Many developing countries, however, combine great need with relatively weak current commitment to measures needed to achieve basic human needs objectives. This conflict obviously raises difficulties, particularly since the need criterion relates largely to particular groups of poor people, whereas the commitment criterion relates largely to governments and their policy priorities. For example, in a country with weak commitment but high need, this approach implies modest assistance to support the eventual emergence of policies and institutions more favorable to basic human needs goals, assistance to entities within the country more strongly oriented to meeting basic needs, and assistance for programs which directly help meet basic human needs goals (e.g., low cost rural health systems) for at least a limited group within a fairly short period.

* Need and commitment are the over-arching allocation criteria set forth in Section 102(d) of the Foreign Assistance Act. Section 102(d) uses the terms "commitment and progress" as well as "greatest need." Recent progress reflects the effectiveness of past commitment. The term "commitment" in the text above is meant also to include its effectiveness, or recent progress towards accomplishing such basic needs objectives as reduction in infant mortality. For proposed criteria and factors to assess commitment and progress, see Proposed Criteria and Factors for Assessing Country Performance (A Report Pursuant to Section 102(d) of the Foreign Assistance Act, January 31, 1978; transmitted by AIDTO A-35, 2/3/78.)

** One aspect of commitment is the degree of encouragement given to popular participation by the poor, so that their needs, desires, and capacities are reflected in development decisions. Thus, the political and civil dimensions of human rights are likely to relate closely to commitment to basic needs-oriented development.

If country commitment is strong enough to assure that the benefits of development assistance will actually serve the intended beneficiaries or that assistance will actually support rather than subvert progress toward basic needs objectives, U.S. assistance could expand to include activities which, though they may operate more indirectly, are necessary to meeting basic needs objectives over the longer run. The greater the commitment to basic needs objectives on the part of the host government, the stronger the case for expanded broad assistance to ~~program~~ (including physical infrastructure and national institutions) that promote overall growth and employment as well as the redistributive aspects of development. For example, in a "weak commitment" developing country, AID should support only those aspects of a river basin project which assure that small producers benefit directly (e.g., development of local tertiary canals for delivery of water to small farms, assistance for local research, extension, and input supply institutions oriented and directed specifically toward small farmer requirements). In a country with stronger commitment, assistance might be broadened to establish in large areas of a country small-scale infrastructure and related institutions required to assure access by the poor (e.g., tertiary canals and water user associations, rural electrification and cooperatives). AID has had considerable experience in developing such "access networks," and this experience should continue to be exploited.

AID's proposed FY 1979 legislation recognizes this approach in language proposed for Section 103:

"Assistance for physical infrastructure shall be used primarily to finance rural facilities and institutions required to bring the benefits of development within the reach of the poor, helping to enable them to participate in development and to satisfy their basic needs. Normally, these 'access networks' will consist of smaller-scale infrastructure such as that mentioned above and related institutions, though networks covering large areas may be extensive."

In a country with strong commitment, participation in the financing of major facilities (e.g., a dam and main irrigation canals) might be considered if adequate financing is unavailable elsewhere. As AID's FY 1979 legislation states:

"Where sufficient financing is not available from other sources, consideration may be given to financing major infrastructure needed to achieve the objectives of this section as a complement to appropriate 'access networks,' preferably in a multilateral framework."

Note the condition that even when support is to be provided for major infrastructure, it should ensure that sufficient attention is being given to the total system, including the required "access networks" required to reach the poor.

As AID's proposed FY 1979 legislation further states, "Assistance should be provided for infrastructure only where the infrastructure is important to broad-based development and is complemented by benefits reaching the poor." Otherwise, notwithstanding adequate physical and institutional access, infrastructure will not be used by poor people to better their lives (for example, living near a road only facilitates expanded economic activity; other measures to improve access to resources are normally also required).

The same principles relating breadth of assistance to degree of country commitment to growth-with-equity generally apply not only to

levels of physical infrastructure but also to assistance to institutions. For example, relatively strong commitment is a condition for major support to national level institutions, such as ministries of planning, agriculture, etc.

The "need" and "commitment" allocation criteria can be systematized somewhat by setting indicative long-term country assistance levels (under given assumptions concerning the overall AID budget) on the basis of need criteria, and then making successive adjustments for country commitment to a development strategy in support of basic needs objectives, other donor assistance, absorptive capacity for particular types of assistance, political and civil aspects of human rights, other statutory requirements, other foreign policy considerations, etc. These need and commitment criteria can form the basis for a more systematic, long-run programming system than we currently have.*

The balancing of need and commitment in any specific country case is likely to be both highly complex and extremely sensitive. There is a strong case to be made for U.S. leadership in accelerating the emergence of an international consensus on basic human needs objectives and implementation strategies, but this does not imply that the United States should attempt to take the lead in exerting policy "leverage" at the country program level. The United States need not, on the other hand, take a passive role with respect to macro or sectoral policy dialogue with the host government, especially on issues that are crucial to development effectiveness. Positions on country policies should

* The implementation of such a system would require a favorable decision on the indicative planning recommendation contained in the draft Report of the AID Program Procedures Task Force.

generally be fully coordinated with multi-donor fora, such as consultative groups and consortia, but we should not hesitate to raise policy concerns with governments in bilateral discussions.

The strongest impact of external assistance on development policies often derives from helping a recipient country achieve a fuller understanding of its development problems and of steps it might take to solve them. The ability to put resources behind a country's modified perception of problems helps to maintain momentum into the implementation stage. This approach can be particularly effective if the recipient country is able to rely on a predictable level of assistance provided within the context of a joint long-term understanding concerning objectives, policies, and resource allocations from external and internal sources.

Furthermore, no country or government is monolithic. Even in a country with overall weak commitment, it may be possible to have a progressive dialogue leading to sectoral policy reform in the context of assistance to a particular sector. Success in one sector may strengthen commitment and the potential for effective assistance in others. Likewise, nascent commitment to basic needs-oriented development may be found at a sub-national or regional level. Modest assistance to encourage this commitment should also seek to broaden it to nationwide dimensions.

"Absorptive capacity" is often cited as a constraint on aid allocation. This constraint should not be exaggerated, however. Significant resources can be channelled to help countries develop the administrative, technical, and institutional capacity to handle domestic resources more effectively.

Furthermore, the fact that aid levels vary so substantially among countries at roughly similar levels of development implies that a great many factors other than absorptive capacity affect actual assistance flows. "Absorptive capacity" may sometimes be a rationalization for observed aid levels rather than an explanation.

C. Assistance for Middle-Income Countries

Because the need criteria relates primarily to poor people rather than to governments or countries, a basic needs-oriented assistance strategy does not rule out assistance to countries which have reached middle-income status (per capita GNP above \$550 in 1976 prices). Although these countries do not have extremely low per capita incomes, some have a great many very poor people. However, because of the greater capacity of middle-income LDCs to mobilize internal resources and to reallocate an increasing share of their own resources to meeting basic human needs, external concessional assistance allocations would generally represent a smaller proportion of the total resources required for various programs. The co-existence of a relatively high national per capita income in a middle-income country and of large numbers of low-income people implies a relatively unequal distribution of income as well as of wealth and opportunities. The degree of current commitment to address poverty must therefore be assessed carefully.

In view of these considerations and the President's decisions on development assistance strategy, U.S. bilateral development assistance to middle-income countries should be governed by the following criteria:

- Assistance to middle-income countries would continue in the

context of rising overall real aid levels but aid to low-income countries would have higher priority.*

-- The function of assistance to middle-income countries is not primarily to transfer resources but to stimulate demonstration efforts to help design and establish policies and institutions and train people for basic human needs-oriented programs (see more on program content below).

-- As a basic condition or self-help element, the recipient countries will be allocating or increasing the allocation of major budget resources to equity-oriented development efforts--far in excess of aid amounts.

-- The programs are planned with a limited time horizon, i.e., the time needed to make the necessary policy, budgeting, and institutional changes and put planned systems into operation.

-- Aid is provided on relatively harder terms in recognition of the middle-income countries' actual or expanding income and resource base.

-- Since the middle-income countries generally have greater staff and institutional capacity than most low-income countries to plan and implement programs, they may assume greater responsibility for detailed planning and implementation.

* This is based on the decisions on development assistance strategy made in November 1977 by the President and the Policy Review Committee.

Programs should generally concentrate on agriculture and rural development, education, health, nutrition, population, and related efforts in environment, energy and science and technology. Greater emphasis could be given in the more urbanized middle-income countries to programs for planning assistance, training, and institutional strengthening dealing with broad problems affecting the poor in major urban areas, such as: improvement of public service delivery systems, urban environmental control and energy planning, upgrading low-income neighborhoods, employment generation in medium and small-scale urban industry, and tax administration. Loans provided through the Housing Guarantee Program for shelter assistance to low-income (below median income) urban families constitute, in view of their harder terms, a resource more suited to the ability to pay of middle-income than low-income countries.

AID policies for assistance to middle-income countries, including appropriate program arrangements, are undergoing further review. One aspect of assistance to middle-income countries is likely to result in increased funding and perhaps different organizational arrangements within the next year or so: strengthening the scientific and technological capabilities of the developing countries. The middle-income countries will undoubtedly receive major attention in any science and technology initiative. This attention has been manifested in the Brookings and DCC studies, the "Humphrey bill," and related Presidential decisions and reviews. Most recently the President in an address of March 29, 1978,

before the Joint Congress of Venezuela announced a proposal to establish a U.S. Foundation for Technological Collaboration to assist developing nations to strengthen their technological capabilities and become more self-reliant. This initiative relates closely to a current proposal being discussed within AID to establish a Program for Technology Exchange and Cooperation. The proposal envisions that this program would be oriented primarily (but not exclusively) to middle-income countries.

IV. Program Content

A basic human needs orientation implies continued strong emphasis on our major sectors of development assistance: food production and its equitable availability, nutrition, rural development, food aid, health, including safe drinking water, population, and education and human resources. It also implies a selective concern with other development fields, including urban development, shelter, energy, environment, and science and technology.

Several of these latter fields are cross-sectoral in nature. For example, energy and environment relate to agricultural and rural development as well as to urban development. Similarly, AID has some special program concerns which cut across all sectors.

One of these cross-sectoral program concerns is human rights. A 1977 amendment to the Foreign Assistance Act (Section 116(e)) requires that a specified minimum amount be sent on "studies to identify, and

for openly carrying out, programs and activities which will encourage or promote increased adherence to civil and political rights, as set forth in the Universal Declaration of Human Rights, in countries eligible for assistance under this chapter." AID is using such funds to:

(1) encourage and support contact among people in the developed and developing countries who share an interest in problems of human rights in the context of economic development;

(2) support the investigation and dissemination about development successes where human rights are respected; the problems which governments have in encouraging economic development which cause them to use repressive measures; and the alternatives which are available; and

(3) encourage work on the relationship between freedom of association and organization and the empowerment of local people and the basic human needs approach to development.

Another cross-sectoral program concern is enhancing the role of women in development. Greater priority should be given to efforts in all programs and projects to help women become equal partners in the development process.

To serve the need properly, specific women-oriented projects may in addition be necessary, especially in the earlier stages, such as support for women's organizations that aim to increase women's ability to contribute to and benefit from the development process.

Special attention should be given to providing education and training opportunities for women. We suggest attention to production, processing, storage, and marketing, of various agricultural commodities and to their importance in rural development generally.

With respect to building an appreciation for women's concerns and interests into projects not specifically aimed at women's problems, it is essential to be responsive to those concerns and interests at the earliest possible stage--in the conception of the project or, at the latest, in the design stage. Once projects are designed, it is often impracticable to tack on a new dimension to take account of women's concerns.

The following discussion of major sectors and selected problem areas suggests several major elements in an effective program in support of basic human needs objectives. These include:

(1) assistance for more systematic country analysis and planning efforts to support feasible choices of goals, and to identify and assess the effectiveness of alternative means to achieve them;

(2) taking into account the effects of economic and institutional policies, which can reinforce or negate the intended impact of development projects in any sector;

(3) recognizing as much as possible the potential positive and negative interrelationships among sectors in planning assistance programs and expanding integrated approaches (e.g., effects of health and education programs on population and vice-versa; food production programs on environmental health, etc.);

(4) supporting the identification, dissemination, adaptation, and research and development of more cost-effective, appropriate -- often but not always "light capital" or labor intensive -- technologies that reach more people at less cost per beneficiary or which more people can acquire and employ themselves at a cost they can afford;

- (5) exploring and perhaps providing substantial support to improve LDC access to existing and new appropriate technologies from DCs;
 - (6) continuing assistance for basic needs-oriented physical and institutional infrastructure, including training, as important elements of broader development programs;
 - (7) emphasizing poor majority and program-oriented research with stress on (i) strengthening LDC research institutions; and (ii) conducting socioeconomic research in all fields;
 - (8) assuring that the poor participate in decisions concerning development activities from which they are to benefit;
 - (9) assuring that no group among the rural poor is adversely affected by development efforts and that to the greatest extent possible their role and status are enhanced (the role and status of women require particular attention in this regard); and
 - (10) developing and assigning well-trained sectoral technical specialists and cross-sectoral social scientists, including women, to U.S. bilateral missions to assist the in-country planning and implementation of development assistance activities.
- A development problem common to all of the leading functional sectors is the weakness in organizational structure and administrative process among those institutions responsible for planning or implementing development activities. Part of this pervasive problem is the shortage of personnel in the public and private sectors with adequate administrative or managerial skills. As a result, the absorptive capacity of in-country institutions for development assistance is far below potential levels.

Therefore, development administration is a necessary supportive component of the activities taking place within each of the functional sectors. Greater attention needs to be paid to the organizational, managerial, and related aspects of these sectoral programs.

A. Agriculture, Nutrition and Rural Development*

A central problem in most developing countries is significant and often widespread and serious hunger and malnutrition. Four to five hundred million people face diets so nutritionally inadequate that their health is seriously threatened or impaired. Almost a billion experience significant nutritional deficiency (a daily per capita deficiency of over 250 calories according to a World Bank estimate). In most developing countries, malnutrition is caused primarily by an insufficient overall supply of nutritious foodstuffs and by problems of access to such foodstuffs in turn caused mainly by insufficient incomes in the hands of the poor and hungry (also in some areas by other institutional constraints on equitable food distribution)** Many countries have to spend large amounts of foreign exchange on food imports in lieu of needed capital imports, yet the poor and malnourished do not have sufficient access, through lack of income or other constraints, to nutritionally appropriate amounts and combinations of food, or to other goods and services essential to meeting their basic needs. In the context of rural development, a corollary central problem is thus the lack of access by the rural poor to productive resources and productive employment that would enable them to increase their incomes to obtain food and other essential goods and services.

* Based in part on A.I.D. Agricultural Development Policy Paper, transmitted by AIDTO A-255, 6-23-78; and A.I.D.'s Responsibilities in Nutrition, AIDTO A-196, 5-13/77.

** Caloric deficiency is usually the main supply problem but lack of one or more specific nutrients is also critical in several areas.

Projections of current production trends, against projections of rapid population growth, imply an even larger net foodgrain deficit for the developing countries by 1985. Commercial imports and food aid can be expected to fill some but not all of this gap. Given that agricultural yields in many developing countries are one-third or less those in developed countries, there is a considerable scope for accelerating production in the LDC's if the policy, institutional, and technical constraints on increased food production can be adequately circumvented or eliminated.

Against this background, AID's strategy for agriculture and rural development is based on the following premises:

(1) Rapid acceleration of agricultural production and employment opportunities in both the rural and urban economies is necessary to alleviate hunger and malnutrition as well as to provide the poor with increased incomes to meet other basic needs. Such increases in production and income-generating opportunities benefiting the rural poor are possible only if policy, technical, and institutional constraints are attacked jointly, simultaneously resolving the problems of low production and inequitable distribution.

(2) The poor majority must be the major participants in this process because:

(a) The poor and hungry are typically the bulk of the labor force in low income countries, and, where permitted a sufficient degree of participation in the polity and economy of the area (particularly through more productive jobs and increased incomes), can constitute an

important potential source of effective demand to spur increased production of food and other basic goods and services;

(b) The rural poor include in many countries a large number of potentially productive small farmers whose production, if increased using appropriate technological packages, could account for a significant proportion of the total food supply, which could be consumed directly on the farm (thereby reducing their families' malnutrition) or marketed (thereby increasing farmers' incomes and at the same time fulfilling the rising demand for food); and

(c) The magnitude of the food supply problem is so great that it is not feasible in the long run to rely heavily on the transfer of food (or cash to purchase food). However, direct transfers of food and other aid may be needed in some countries as interim relief and to deal with the nutritional problems of the poorest 10 to 20 percent of the population.

(3) Much of the rural population of developing countries participates in the market economy to only a very limited degree. Their participation is limited because of a complex of institutional, policy, and resource constraints and biases in the following categories:

(a) land tenure and local participatory institutions (local government and rural producers' organizations);

(b) planning and policy analysis (for resources, expenditures and incentives);

(c) research, education and extension (for the development and diffusion of productive agricultural technology);

(d) rural infrastructure (e.g., land and water development, rural roads, rural electrification and other rural energy programs, and programs to protect and restore the natural environment);

(e) marketing and storage, input supply, rural industry and credit (for agriculture and other rural enterprise).

Important concerns which cut across these categories include the need to: (1) enhance the participation in the benefits and control of agricultural and rural development efforts by the rural poor, including women and the landless, each of whom often constitute, a significant and sometimes predominant proportion of the rural labor force; (2) expand access by the low income rural producer to appropriate--productive, low cost, locally maintainable--technologies; and (3) consider the rural economy as a whole, including husbandry as well as crops, natural resources management as well as exploitation, and off-farm employment in rural works construction and in rural enterprise in market towns and regional centers as well as on-farm employment as owner, tenant or laborer. Development assistance to strengthen the role of market towns and rural regional centers in providing off farm employment and expanding incomes is an integral aspect of assistance for rural development. Assistance could include management, credit, and technical assistance for rural enterprise; assistance for basic services and facilities (water, energy, roads, marketing facilities); and financial, technical and training assistance for planning, administrative and other government institutions intended to serve and/or be located in market towns and rural centers.

A basic needs approach to rural development should help focus policies and programs on meeting rural family nutritional, health, employment, and income needs. In order to meet these needs, countries must be able to organize and staff an institutional system which is appropriately decentralized where necessary, insuring ultimately that the whole complex of planning, legal, cooperative, research, extension, infrastructure, credit, and marketing services are in place and functioning. This functioning system must be capable of reaching the rural poor majority in such a way that there is feedback from these clients into decision-making in the system. To help LDCs create this kind of institutional capacity, attention must be given to increasing their skills in regional planning, natural resources development, organizational development, and organizational effectiveness, among other matters, so that they can appropriately tailor their new institutions and delivery systems to the tasks at hand.

While the expansion of food production and increased productive employment and incomes for the poor will generally be the most important contributions to be made to improved nutrition, they are not sufficient for the elimination of malnutrition and maximizing the long run productive potential of the rural labor force, especially among the most disadvantaged who require specific nutrition improvement measures.

In order to direct specific nutrition improvement measures towards priority problems and priority population groups with maximum cost

effectiveness, AID will, through field projects and centrally-funded R&D projects, concentrate on assisting LDCs to:

a. define with reasonable precision the nature of their nutritional problems, identify the affected population groups and determine the causes therefor;

b. design appropriate measures to address the problems based on the preceding diagnosis;

c. implement those measures; and

d. evaluate the effects of the measures taken as feedback for further planning.

Specific measures which will receive priority include (1) incorporation of nutritional goals into agricultural production and food aid/food distribution planning to expand production and ensure distribution of low cost nutritious foods to low income consumers; (2) improvement of nutritional value of selected foods through fortification or enrichment; (3) development of low cost breast milk supplements and weaning foods based on locally available products and for use in the context of a strategy that encourages breast-feeding; (4) education programs to achieve better practices in child feeding, sanitation and other home management skills necessary to improve nutritional status of the family; (5) incorporation of nutrition improvement measures into health and family planning delivery systems, as appropriate; and (6) encouraging breast-feeding.

The United States, drawing on the land grant university and other non-governmental and governmental resources, can help mount the larger programs needed to accelerate the institution-building process and

thereby help the LDCs pursue agricultural, nutritional and rural development on a scale more appropriate to the extent and seriousness of the needs. Title XII of the Foreign Assistance Act constitutes a special, central mechanism which will be increasingly utilized to draw on land grant university and other qualified institutions to provide the requisite expertise and training for broad-based agricultural, nutritional and rural development. Title XII institutions also have a vital role to play in training the increased number of technical specialists and social scientists AID requires in its field missions in order to implement effectively the strategy outlined above.

B. PL 480 Food Aid

Food aid must be supportive of a basic human needs development assistance strategy. While longer term efforts to accelerate food production and improve nutrition are under way domestically, food aid can help ameliorate malnutrition and help meet increased demand for food resulting from labor-intensive development programs, and at the same time contribute to capital formation.

This potential complementarity between ongoing development programs and food aid can be realized by using imported food in a number of ways, including: (1) to assist LDC governments to meet short-run production shortfalls associated with major policy or program changes aimed at improving long-run agricultural performance; (2) to finance labor-intensive projects for agricultural and rural development by programming local currency proceeds or using shipments themselves; (3) to combat malnutrition among the most vulnerable lower income groups; and (4) to support agricultural development and nutrition programs and projects through PL 480 Title III proceeds.

Past experience with PL 480 supports the views that (a) benefits from the resource transfer provided by concessional (Title I) and grant (Title II) commodity assistance can be substantial, but (b) compatibility between PL 480 and development efforts in agriculture and other sectors requires major coordinating efforts at both the U. S. and recipient-country levels. AID needs to play a major role within the U.S. Government in programming PL 480 in order to ensure that country budget allocations are based on development considerations. Strong Mission staff capability is essential for AID to perform this role effectively. Multi-year commitments are also essential for rational use of PL 480 for development purposes.

This complex subject is receiving systematic and rigorous analysis, now that new legislation for PL 480 has been legislated. Together with USDA, AID is striving to use our food to effect humanitarian and developmental objectives in food-deficit developing countries.*

C. Population**

Rapid population growth in most developing countries continues to exacerbate the already difficult task of improving the welfare of millions living at or near subsistence. While birth rates in developing countries have begun to fall, death rates have also declined, and the resulting annual rates of natural increase threaten to double the population every thirty-five years or so. The decline in birth rates must accelerate in many countries if substantial per capita improvements in income and meeting basic needs for food, health, education, and shelter are to come about any time soon.

* A paper, Food for Development: A Food Aid Policy, is currently in preparation.

** Based in part on AIDTO A-388, 7-8-76, and attached policy paper: U. S. Population-Related Assistance: Analysis and Recommendations (April 1976).

By the year 2000, the present world population of 4 billion may well grow by over 2 billion (to 6.2 billion according to the UN medium variant), with the LDC share of the total population increasing from 62% today to 78% by the year 2000 if present trends continue. Current population growth rates in the developing countries, excluding China, average 2.4%; those of developed nations average less than one percent. The level at which world population will ultimately stabilize depends on underlying assumptions about how fast birth rates and death rates will fall. Controversy exists on both fronts, so projections on population growth vary. IBRD President McNamara stated last April that current trends point to a finally stabilized global population of about 11 billion after several decades. However, he thought it possible to reduce that ultimate level to 8 billion if the nations of the world really applied themselves to the task. He pointed out that for every decade of delay in achieving replacement-level fertility, the world's ultimate steady-state population will be approximately 15% greater.

Rapid LDC population growth frustrates the pace of per capita income growth and other improvements in individual living standards. Population growth of 2% or more consumed almost half the gain in overall output growth in LDCs, where per capita GDP grew at an average rate of only about 3% during the 1971-75 period, and the per capita increase in the lower income LDCs (where 59% of the total LDC population lives) averaged only a scant 1%. Population growth also poses serious short-range dangers in terms of environmental degradation, rising unemployment and under-employment, and appalling living conditions in the overcrowded cities and subsistence rural areas of the developing world. For a low income family,

repeated pregnancies tend to impair the health and nutrition of mother and children and to reduce the likelihood that children will receive adequate education for life skills in or out of school.

There has been a recent upsurge of LDC interest in instituting population programs. Today, 2.2 billion people of the developing world live in countries whose governments have adopted population programs related to their economic development plans, and family planning is tolerated in most of the other LDCs. However, there are signs that contraceptive user rates in some countries are beginning to plateau. And in Africa, where population increased at an annual rate of 2.7% between 1970 and 1975, and real GDP grew at a corresponding rate of 4.5%, population problems have by and large still to be seriously addressed by most countries (data exclude Northern African countries and South Africa). Moreover, notwithstanding the health threat to mother and children, many couples in poor countries prefer families of 4, 5, or 6 children rather than the 1, 2, or 3 needed to achieve really lower birth rates. Poverty, limited education for women, and cultural restrictions on women's roles often lead couples to prefer large families. Unless a new major effort is made to motivate people to have smaller families, many population programs will fail.

Under the circumstances, our overall efforts should be directed along two parallel, mutually reinforcing lines: (1) expand the provision of safe, effective, affordable, acceptable family planning services, particularly at the village level and, where appropriate, in conjunction with other basic health services; (2) pursuant to section 104(d) of the Foreign Assistance Act, promote accelerated development of a type which will increase the desire for smaller families, with an emphasis on wider primary education,

especially for girls, expanded low-cost health facilities with broad rural outreach, strengthened community organizations, and improved opportunities for women (socially, economically and politically).

The Task Force on Population Policy (now the NSC Working Group on Population) has reinforced support for these approaches and has recommended far greater efforts in improving contraception and expanding systems for community-based distribution of family planning supplies and services, including sterilization. The Task Force concluded that in addition to the above-mentioned elements, the most successful population programs also require leadership commitment and training of indigenous paramedics to provide comprehensive nutritional, health, and family planning services, and economic and social change that encourages smaller families.

In support of this strategy, AID population assistance over the next several years will seek to extend and improve family planning services to the poor, particularly in rural areas, who still lack convenient access to safe, effective and affordable services. Mutually supporting activities will be implemented in five other categories: (1) demographic data collection and analysis; (2) population policy; (3) biomedical and operations research; (4) information, education, and communication; and (5) manpower and institutional development. AID's population strategy will also give greater attention to encouraging smaller families through changes in economic and social conditions, pursuant to Section 104(d). This legislation requires AID to consider the fertility impact of all development assistance and to identify, design, and support projects that build motivation for smaller families. This will be done partly

through our population assistance (e.g., fertility determinants research), though the basic programs in other sectors (e.g., education) that affect fertility are expected to be funded from the monies normally devoted to those sectors.

D. Health

The need for improved health is perhaps the most basic human need. Poor health in developing countries is reflected in such indicators as infant mortality rates of over 35 per thousand and life expectancy of under 55 years; in the least developed countries, and among poorer families in other LDCs, infant mortality rates of over 150 per thousand and life expectancy of less than 45 years are not uncommon. Over 800 million people are estimated to be without access to basic health services and over a billion without access to safe water (World Bank and UN estimates). Measures aimed directly at improving health are not only important to the lives of the poor, but also can be crucial to a successful development effort. Men and women debilitated by chronic disease cannot participate in development; children listless and apathetic from disease and malnutrition neither learn nor contribute up to their full potential. Thus, improved health is an investment in human beings and in their productive capacity.

Poor health in the third world is due to severe poverty; erratic and inadequate harvests and consequent malnutrition; scarcity of safe water; inadequate land, water, or other resources; inadequate health services; ignorance; and high fertility. Effective approaches to improving health must deal with the most important causes of poor health, and involve not only the health sector proper, but also agriculture, education, nutrition, and broader economic and social policies.

This view results from a major rethinking of health problems and approaches on the part of both LDCs and donors over the past few years. It contrasts with previous health programs/which produced relatively high quality and costly care for elites, but had minimal impact on the health of the majority. Because the hospitals and other facilities were expensive to build and to operate, developing countries could not afford to sustain, much less extend, these systems with their limited resources. Thus, new approaches are needed to focus on meeting the basic needs of the poor at levels developing countries can sustain.*

There are no simple answers. Relatively little precise data exist on how programs in different sectors (such as agriculture) actually contribute to improved health. However, it is clear that the major illnesses of the poor are by and large, not only the major parasitic diseases found primarily in LDCs, but also the more common infections (especially enteric or respiratory), malnutrition, and high fertility-- each of which aggravates the other. These problems can be substantially ameliorated through available appropriate technology at a low per capita cost (though considerable research is needed to determine the comparative impact of different possible programs). A minimum essential package of village-based health, nutrition, and family planning services can deal effectively with most major health problems at an affordable cost (perhaps \$3-8 per capita annually). These services must rely on village organization, leadership, and staffing. They should include

* These and the following observations are drawn in part from the draft report of the White House Working Group on International Health in Relation to Development and Supporting Assistance (July 1977) and Family Health Care, Inc., A Handbook for Understanding Health, Population and Nutrition Systems (Draft for AID, September 1977). These documents form bases for a planned AID Health Development Policy Paper.

simple, protected water supplies, especially in rural areas and, as budgets expand, rudimentary rural and urban sanitation. If necessary, the package should include where appropriate malaria control plus efforts to develop and field-test better control of other major parasitic diseases.

The U.S. should provide assistance in four program categories:

(1) health planning covering both the health sector and programs in other sectors with a major impact on health; (2) basic, integrated health, nutrition, and family planning services, particularly at the village level and with a relative emphasis on preventative rather than curative services; (3) potable water and sanitation; and (4) tropical disease control as appropriate.

The need for U. S. financing of simple medicines and contraceptives will continue, but more effort should go to developing LDC managerial and administrative capacity to set up and operate the facilities providing these services; the costs are low and the payoff high. High priority should be given to research and development to field-test new appropriate technologies and approaches and to train paramedicals, with an emphasis on women as appropriate, and others needed particularly at the village level (para-professional health workers should be drawn from the village level to the extent possible and desirable).

Project designers should explore the possibility of having at least some portion of the cost of such projects borne by the communities served, providing they have participated in health planning and maintain a role in local health management. This might take the form of contributions in kind, such as construction and maintenance of health and sanitary facilities and environmental protection; and/or in the form of nominal user charges

(according to ability to pay) for use as a local health post petty cash fund for contingencies and expendables, such as emergency purchase of drugs.

All of these efforts must be mutually reinforcing at the local level if they are to work, which requires adequate health planning.

E. Education and Human Resources

Despite current annual expenditures on education by developing countries of about \$16 billion, only about 47% of the school age population of 5 to 14 years of age was in school in 1975. The proportion is expected to rise to only 48 percent by 1985. Although economic growth will provide a basis for increased fiscal resources to allocate to education, the process of growth itself is constrained by inadequately developed and utilized human resources. Empirical research has indicated that education can be important to increased agricultural productivity and that increased female education leads to reductions in fertility. Furthermore, failure to assure a more equitable distribution of educational opportunities will tend only to exacerbate an already inequitable distribution of income, since levels of education are directly related to levels of income.*

While there is scope for raising additional domestic resources to finance education, including local self-help schemes, a substantial role remains for external donors. AID's primary emphasis is on providing to the rural and urban poor access to the functional knowledge and skills needed to earn a living and raise a family. These basic life skills

* These and following observations are drawn from analyses and discussions on which a planned AID Education Development Policy Paper is currently being prepared.

include knowledge in health, nutrition, family planning, and agriculture; they form the foundation for additional education (including scientific and technical education) for those who qualify.

The essential aspects of this approach are:

- (1) Broad and convenient access to educational opportunities by the poor, regardless of their sex, income group, or physical location;
- (2) Relevance of the skills to the manpower needs of the economy, both in rural and urban areas, and in the present as well as over time;
- (3) Efficiency in the dissemination of knowledge through the use of appropriate, ~~cost-effective~~ technologies and approaches;
- (4) Participation of local populations in the process of planning and implementing education systems; and
- (5) Flexibility in educational system design with stress on the community level.

The implementation of these elements suggests an approach which both builds or communication networks and introduces useful and relevant knowledge in a manner which does not depend exclusively on either the written word or the formal educational structure. The approach is not intended to circumvent or replace formal systems of education. Rather, it builds on those systems to make them more relevant, affordable, and effective in serving the poor. The approach attempts to integrate formal and non-formal educational processes--for both children and adults--in a manner which reinforces their respective advantages. Furthermore, AID's pioneering work in the adaptation of mass media (particularly radio) to formal and non-formal education has opened up the possibility of delivering basic learning skills at significant cost savings to LDCs.

Significant progress has been made to date in restructuring AID's program in these directions. During the 1960's, only 10 percent of AID's education activities involved primary school education, while 40 percent involved higher education.* A majority of the resources were used to construct schools, colleges, and universities. By the mid 1970's, the emphasis had shifted to primary school teacher training and curricular reform at the formal level and non-formal or out-of-school training for rural workers in agriculture, health, nutrition, and family planning. While the primary emphasis should be on basic education for the poor, basic needs-oriented assistance to institutions of higher education is not precluded from section 105. However, higher education activities sponsored through section 105 should (a) relate to professional and scientific manpower and research requirements to improve the efficiency and effectiveness of the education sector, (b) address the managerial and administrative needs of country programs focused on poverty alleviation, or (c) deal with basic needs-related human resource requirements not directly related to agriculture, health, nutrition, and population. Higher educational activities in these latter areas should be supported out of the other sectors.

The major challenge for the future is to help countries design education systems which will enable them to address the basic education needs of the poor. Some middle-income countries may be able to manage this by redirecting available resources, given adequate overall revenue levels. However, for

* These observations apply only to education projects as such, i.e., those which since 1973 would be found in the Section 105 account. The education components of, for example, agriculture projects are not included.

the least developed countries the problem is complicated by the absence of adequate fiscal and human resources. For them, progress will depend on their abilities both to redirect fiscal resources to basic education and to improve the effectiveness and efficiency of their scarce human resources utilized in delivering education to the poor. There is a major supportive role for international assistance to play in countries which have made such commitments.

F. Selected Development Problems*

Five areas--urban development, shelter, energy, environment, and science and technology--are covered in this section of the paper. Employment opportunities and basic shelter and services in urban areas, provision of energy from non-animal sources (along with improvement in the productivity and efficiency of human and animal energy sources), conservation of the environment, and development of technical and scientific capacity and skills are essential over the long term to raising the standards of living of the poor. Most current AID activity in aid consideration of problems in these areas is handled in conjunction with or as part of programs in other sectors, especially rural development (e.g., adaptive agricultural research, soil conservation, on-farm or village methane generation, employment and income generation in and facilities and services for rural market towns, rural electrification).**

G. Urban Development

The objectives of AID's urban development program are (1) to enhance the contribution of urban centers to regional and national development, and (2) to help create urban environments in which the poor will have the

* Based on current discussions, legislative provisions (sections 103, 106, 107, 118, and 119 of the Foreign Assistance Act) and existing Policy Determinations on (1) Urban Development, (2) Housing, and (3) Science and Technology (see summaries and references in AID Handbook No. 1).

** IIC-financed shelter assistance, which does not use appropriated funds, is a separate and substantial program.

opportunity to overcome their poverty. These objectives are in response to an urban crisis that is unparalleled in human history. The cities of the world, and particularly those of the developing countries, are growing at staggering rates. The present rate of urbanization can be likened to the formation of 2,000 new cities of one million people each between 1970 and the year 2000. The impact of this enormous growth will fall primarily on the developing countries and on existing cities which already lack adequate infrastructure and housing. By 1980, nearly one-third of the people in developing countries -- some 955 million -- will live in cities, which reflects more than a doubling of the urban populations of Asia and Latin America, and nearly a tripling in Africa. By the year 2000, about 44% of the people in developing countries will likely be living in cities; Latin America has already passed that mark.

Urban development concerns the productive use of the urban labor force to meet the basic human needs of the urban population, including the housing and infrastructure for the growing proportion of migrants. The extent to which that large and growing labor resource can be used to build and service the cities and the extent to which it has to be engaged in producing goods and services for the rural economy and the rest of the world are issues that must be approached by the planning process, and settled by the results of experimental policies and the course of economic history. The problems and issues are enormous; but their outcome will have a profound effect on the course of world economic and political development. We can only begin to explore the ramifications of such profound changes and the possibilities for trying to affect their direction and to deal with their impact.

AID-supported programs to improve conditions of the poor in larger urban centers will continue to be in those countries in which the major portion of the population already live in urban areas. They will include: (1) settlement upgrading and sites and services projects using the resources of the Housing Guarantee program for housing and infrastructure (see next section on Shelter); (2) technical assistance and selective pilot support (under Section 104) to help provide such essential services as potable water and sanitation and broader support for health care and family planning; and (3) experimental technical, credit, and training assistance for household and small scale enterprise programs (under Section 106).

On another level AID activities will be directed towards increasing AID's and developing countries' understanding and competence to deal with the great movements and changes which are inherent in the process of urbanization. Examples are research and development efforts and field tests which (1) study the causes and consequences of rural to urban migration and other pressures on major urban centers; (2) analyze the impact of urbanization on lowering fertility rates and use this knowledge in population and other program development; (3) create guidelines and methodologies for identifying poverty groups and locations, analyzing their developmental potential, and designing projects to benefit them; and (4) develop planning processes and management tools, especially for smaller cities, which can be used in coping efficiently with the problems and opportunities of urbanization and development.

Related to the above efforts are activities designed to realize the full potential for mutually profitable interchange between small

and medium size urban centers and surrounding rural regions in a wide range of countries. The development of economic activity and improved facilities and services in market towns and small-to-intermediate rural cities is an integral aspect of rural development. This approach will require technical assistance and training in urban and regional planning and management, as well as support for basic infrastructure (e.g., water and energy) and for small enterprises that effectively utilize the resources of the region. Such support would normally be funded from Section 103, especially when the emphasis is on market towns and small regional centers closely related to their rural hinterlands.

2. Shelter

Lack of shelter is another major problem area which, while not as vital to bare survival as food, is a basic human need that ranks closely after food (and water), health and clothing. Over 800 million people in the LDCs are estimated to have less than minimum adequate shelter (World Bank estimate). Because the capital requirements for housing are so enormous relative to bilateral assistance funding levels, direct AID programs dealing with shelter have been limited mainly to technical assistance and institutional development. The bulk of capital assistance for shelter has been channelled through the Housing Investment Guaranty (HIG) program although some concessional assistance has been provided for improvement of low income settlements in Latin American cities. Both technical and capital assistance for shelter have tended to concentrate on major urban areas although the HIG program has made efforts recently to develop programs in smaller, outlying urban centers. The HIG program in contrast

to AID's development loan program is not dependent on annual appropriations (nor is it very concessional -- roughly comparable to IBRD rates at 8½% for 30 years).

The HIG program seeks to assist developing countries pursue policies which will provide "minimum shelter" to low-income people. AID policy directs the use of HIGs to those segments of a population that earn less than the median urban family family income. The program, following policy changes since 1973, concentrates on low cost approaches affordable by the poor, including: (1) general slum amelioration programs which provide clean water, sanitation, drainage, better roads, and financing so that the poor can continue to improve their dwellings; (2) sites and services projects for new and outlying urban residential areas; and (3) "minimum" housing solutions, including expandable, "core" housing shells that can be improved by the owner.

In addition, section 106 of the Foreign Assistance Act authorizes the use of concessional resources which could be used more extensively to finance capital as well as technical assistance to help the least developed countries meet the shelter needs of their lower income families. Traditionally, such countries have not been perceived as suitable borrowers for the HIG program because of the interest terms. This authorization would provide the least developed countries with needed concessional resources to help develop policies, institutions, and programs to serve the shelter needs of the poor.

3. Energy

The less-developed countries cannot appreciably reduce oil imports and have difficulty financing the increasing cost of existing imports. Consumption in most developing countries includes relatively few non-essential uses. National development in the modern sector is closely tied to increased levels of fossil fuel consumption and the financial strain of increased costs is limiting LDC national developmental prospects.

In addition to the mounting cost of oil, the developing countries have been experiencing a growing shortage of traditional sources of energy -- firewood, dung and other materials used primarily to cook food and keep warm. The poor majority that never could afford oil products is more dependent on firewood (which is increasingly scarce), animal, and muscle power than ever before. The supply of firewood and other traditional energy sources may well prove to be more a serious problem in the developing world than that of oil.

The problems of energy supply and demand of modern and traditional sectors need to be analyzed simultaneously. Significant changes in one sector will affect the other. AID's energy strategy should therefore be integrated into a larger effort to use the scientific, planning and management expertise of the U.S. in cooperation with other developed countries and international organizations to help LDCs meet energy demands in a manner consistent with global resource and environmental concerns. AID should have a leadership role within a USG energy strategy to ensure that programs are formulated and implemented in a manner supportive

of development objectives, especially raising living standards of the poor.

AID's energy program will support, under the appropriate legislative categories, the following key elements: training in analysis of energy problems and energy planning and management; programs to demonstrate, test, and adapt to LDC conditions existing energy technologies; building the infrastructure necessary to facilitate the transfer of acceptable technologies; and continued efforts in the area of rural electricity distribution. The emphasis in all these areas will be on activities that primarily and directly benefit the poor.

To help in achieving self-reliance and strengthen control and direction of available and new energy resources for broad-based development, AID will provide assistance in the following major areas:

- a. Assessment of energy potential and establishment of priorities for energy development;
- b. Development of manpower to meet increasing demand for LDC experts in the energy field;
- c. Support to LDC institutions and agencies engaged in energy policy, planning, research, and development; and

d. Assistance to pilot programs/projects that will determine the feasibility of selected procedures or technologies.

A main AID interest in these areas will be to help conserve and increase the energy supplies of the poor in rural areas, which will be primarily energy from non-conventional sources. In the developing countries we are just learning the technologies and principles for applications of non-conventional energy. Projects will be encouraged that demonstrate a range of rural energy technologies, such as photovoltaic systems to pump water and grind cereal in small villages, flat plate collector systems to power irrigation pumps in remote areas, small-scale hydropower application and other similar unconventional energy technologies.

Viewed from every perspective, developing a major program in the energy field will be a complex and difficult task. A wide range of technical, political, national security, and bureaucratic issues is involved. A major effort in the energy field will clearly require a significant commitment of human resources at all levels. Therefore, while AID should take the leading role in developing USG energy policy and programs having development objectives in LDCs, the technical expertise of DOE and other relevant organizations must be heavily relied upon. This will help assure that activities in this area are thoroughly integrated into the national development strategies of the individual countries as well as the U.S.-supported development assistance programs in those countries. Additional elaboration of AID's energy strategy will be forthcoming during FY 1978.

4. Environment and Natural Resources

Most of the world's developing nations lie within or near the tropical latitudes and, as such, their environment and natural resource bases are more fragile and susceptible to deterioration than those of the temperate climates of most developed countries. The special physical and biological features of the developing countries place distinct limitations on their ability to provide for basic human needs. This task is further aggravated by increased pressures on the environment from an ever expanding population, overgrazing of lands, expansion of subsistence agriculture into marginal areas, soil erosion and rapid forest depletion for human settlements, agriculture and fuel.

The achievement of long-term benefits to the world's poor, whether they be in urban or rural settings, must be based on environmentally sound planning, and on a clear understanding of a country's natural resource potentials and limitations. The President and the Congress have directed AID to address the environmental implications of its development activities and to help strengthen the capacity of the less developed countries to protect and manage their environment and natural resources. In Section 118 of the Foreign Assistance Act, the Congress directed AID specifically to make special efforts to maintain and, where possible, restore the land, vegetation, water, wildlife, and other resources upon which depend economic growth and human well-being, especially that of the poor. There will be continued emphasis on environmental management and protection in projects funded from other Sections, such as: land management, terracing and afforestation, and non-toxic pest control

under Section 103; malaria control under Section 104; etc.

The objectives of our environmental and natural resources program are to help developing countries avoid both short-term and long-term damage to the environment and to improve it where possible. Thus, for example, as a matter of policy, AID is presently ensuring the environmental soundness of its development programs through the preparation of environmental assessments of its major actions, even though effects may be localized in an AID recipient country. These assessments look at the long and short-term effects of AID activities on the people who are to benefit from the programs and are prepared, to the fullest extent possible, in cooperation with the host country.

New categories of assistance we expect to provide may include aspects of reforestation, watershed protection, wildlife preservation, improvements to the physical environment, environmental education, and institutional strengthening. AID intends to make available to developing countries help in understanding environment and natural resource issues in order to facilitate their ability to select, design, and manage environmentally sound programs. A number of projects in these categories are either under way or being planned. AID will also look for new ways to involve specialists of non-governmental organizations in the planning and review of its activities, and will work with other donor agencies to develop coordinated approaches for building environmental safeguards into all development activities.

In developing its environment program, the Agency will draw upon expertise of the Environmental Protection Agency and the Departments of State, Agriculture, and Interior.

5. Science and Technology

Science and technology, applied within an appropriate policy and management framework, can accelerate the rate of economic and social development in all sectors. Technologies possess the potential to expand the productive capacity of developing countries so as to sustain development and satisfy basic human needs. The American scientific community's long-established tradition of international collaboration means that machinery already is available for cooperation on global problems common to developed and developing countries alike. Implementation of such recent proposals as the U.S. Foundation for Technological Collaboration proposed by the President in Caracas and the current proposal within AID to establish a Program for Technology Exchange and Collaboration will strengthen this capability (see pp. 43 ff. above for more details.)

Application of science and technology to problems of less developed countries is an aspect of almost all Agency programs and projects. In this context, the principal aim of AID's science and technology program is to build indigenous scientific and technological capabilities that will be applied by the countries themselves in solving their problems. The program focuses on building capacity in six major areas: (1) science and technology infrastructure, (2) innovation and exploratory applications of science and technology, (3) remote sensing, (4) environment and natural resources, (5) technology transfer and development, and (6) appropriate (light capital) technology.

The development of LDC capacity to plan, adapt, manage, apply and assess technologies by helping to build an effective infrastructure

of scientific and technical institutions is essential to modernization. Toward this end the program provides technical assistance and training with emphasis upon technology and applied science in key problem areas agreed upon by the host countries and AID.

In the past we have not done enough in linking up existing technologies that have been neglected or underutilized by developing countries to specific applications. Therefore, efforts have been increased to sift through and select both existing and newly developed technologies that can contribute significantly to LDC development.

Remote sensing is one area, for example, where potential new applications for LDCs continue to be uncovered. Although in use by AID for over a decade, satellite imagery techniques have become refined to the point that they can improve reliability of socio-economic statistics for rural regions, help assess damage from natural disasters, estimate crop acreage and estimate harvests, and transmit educational programs to heretofore inaccessible remote regions.

The technology transfer and development program will aim to facilitate the adaptation and development of appropriate technology through programs to increase the capability of institutions in developing countries to identify, select, and adapt existing technology and to generate indigenous technology, appropriate to country economic and cultural environments. In general an appropriate technology is relatively low cost, capital-saving and labor-using (in labor-surplus situations), accessible to low-income people, locally maintainable without extensive

support requirements, and compatible with local cultural patterns.

The program will also attempt to increase off-farm employment through stimulation of small-scale industry. These activities will be implemented, in part, by providing management and technical training, technical assistance, and involving the U.S. private sector.

Appropriate Technology International (ATI), funded by AID under Section 107 of the Foreign Assistance Act, will play an increasing role in involving the U.S. private sector in initiating a range of appropriate technology adaptation and development activities in response to needs made known by LDCs. AID will involve appropriate technology concepts more extensively in its policy and program discussions with host countries and in the design of new projects. It is anticipated that these new efforts in appropriate technology, responding mostly to the needs of the rural poor and rural small industry, will complement the other technology transfer programs described above.

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