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THE DEVELOPMENT COORDINATION COMMITTEE
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MEMORANDUM FOR DCC MEMBERS

SUBJECT: Evolution of the Basic Human Needs Concept

President Carter's first decisions on development assistance directed that our assistance be focused primarily on meeting the basic human needs of the poor people in the poorest countries. Since that time the content of a basic human needs development strategy has been the subject of continuing discussion, and perhaps a certain amount of confusion. This confusion has been reflected in criticism by other nations, both developed and developing, of what appeared to them to be "anti-growth" strategy.

The basic needs concept has undergone considerable evolution within the U.S. Government, in both Executive and Legislative Branches, since the President's decisions. Basic human needs is now seen in broader terms than it was initially. Unfortunately, however, the earlier image of a narrow program focusing more on techniques than objectives continues to limit the acceptance of BHN as a realistic and relevant development strategy.

The enclosed DCC Policy Paper is intended to reflect a new consensus and establish the basis from which further discussion can proceed. It was reviewed in detail in meetings of the DCC Bilateral Assistance Subcommittee, and has been circulated to the full DCC membership for comment. It is an agreed Executive Branch position.

The ultimate objective of a basic needs strategy continues to be to provide basic goods and services to the poorest people on a basis which can be self-sustaining at an early date. However, access to basic goods and services by the poor can be sustained only through more productive employment and increased income for the poor, and a higher level of general economic activity to allow the government to maintain such services.

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The paper concludes that additional work needs to be done in developing the range of assistance techniques appropriate to a BHN strategy. It is important at this point, however, that the interpretation of BHN set out in the paper be appreciated by everyone concerned with development assistance.



David Bronheim

Enclosure: DCC Policy Paper
Evolution of the BHN Concept

DCC POLICY PAPER

EVOLUTION OF THE BHN CONCEPT

March, 1979

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Introduction

The Carter Administration reappraised this country's foreign assistance strategy during the summer of 1977. Several months of intensive analysis and discussion resulted in the President's decision that our concessional assistance would focus primarily on meeting the basic human needs of poor people. The lowest-income countries would continue to receive top priority, but other developing countries would also be included if enough aid resources were available. The dominant factor in allocating aid among countries would be where it would do the most good to help poor people.

This was a careful, deliberate decision. Considerable effort was devoted to defining the objectives and elements of a basic human needs strategy, and to relating the new approach to more traditional development objectives such as growth in GNP and employment, improved income distribution, and effective donor support.

The decision represented a significant political commitment and an important shift in the emphasis of our assistance policy. It was not a radical departure, however, in that it drew on earlier approaches, including foreign assistance legislation, which emphasized equity and employment as well as growth.

By the fall of 1977 the broad outlines and structure of a development strategy aimed at achieving BHN objectives had been developed. The DCC Foreign Assistance Study, which included an analysis of the essential components of a BHN development strategy, was published. At the DAC High-Level Meeting in October, member governments issued a "Statement on Development Cooperation for Economic Growth and Meeting Basic Human Needs" which set out the key elements. The strategy was also discussed at the UN, in AID's program guidance for FY 1980, and in the IBRD's World Development Report.

In the last year, additional experience and discussion has led to further evolution in the basic needs concept, and in particular its implications for assisting LDC implementation of the BHN development strategy.

The Myth of the BHN/Growth Dichotomy

Initially, basic needs objectives were widely seen as separate and distinct from growth. The DAC Plenary in March 1977 dealt with "recent changes in policy and program emphasis towards the objective of meeting basic human needs as against other aims such as promoting overall economic growth." In June, OECD ministers affirmed that development cooperation should "fulfill the dual purposes of growth of incomes and meeting basic needs of individuals in all developing countries." Perceptions of BHN in recipient countries frequently reflected this view of development options as a choice between growth and BHN.

This fundamental misunderstanding has led to important problems, both conceptual and practical.

- First, it has placed artificially narrow constraints on programs and policies. This has been expressed in legislation which calls for AID projects to be justified in terms of their immediate, direct, and exclusive impact on the well-being of the poor majority. The implication has been that these are "BHN projects," in contrast to other projects which have substantial impact--if less direct; immediate, or exclusive--on the poor. The direct and immediate projects clearly do meet basic needs, but over time they are not the only way, nor are they necessarily the best way, to achieve BHN objectives.

This narrow view has had important implications for project design, staffing, and disbursement, and for the style of relationships between donors and recipients. The most narrow and immediate BHN objectives can generally be better achieved if projects focus at the local level, where they can be monitored and adjusted to increase their impact. Such closely monitored projects are also difficult for outsiders to design and implement, however. Furthermore, many developing countries lack the trained personnel to design and implement numerous small projects. Since institutions are often non-existent, deficient, or geared to support the elite, and since establishing institutions, and training and delivery systems take years, foreigners are often needed through the life of the projects, adding to the intrusiveness of the program.

- Second, the BHN/growth dichotomy removes important criteria for appraisal of "growth" projects and programs. If BHN is seen as that part of development strategy which focuses on the poor, the "growth" element may not be examined from that point of view at all. This would allow an industrial project to be implemented with no concern for its contribution to meeting basic needs by employing unskilled labor or producing basic goods and services. The fact is that industrial projects can make important contributions to meeting basic needs in a variety of ways--through indirect effects on employment (cement for construction), through inputs essential to food production (fertilizers), or by earning foreign exchange for basic imports (manufactures for export). Appraising a project only in terms of its direct effect on aggregate output and growth overlooks its impact on employment and incomes of the poor, and therefore on basic human needs objectives.

- Third, the artificial dichotomy forces many to the false conclusion that developing countries must first grow and only then turn to meeting basic needs. Since most developing countries attach high priority to growth, they are unwilling to increase the scarce resources allocated to economic uses which they fear will not yield immediate return. They often regard basic human needs as a welfare approach which provides food, shelter, health and education to large numbers of poor through income redistribution or foreign assistance. Consequently, they have been suspicious of developed country motives in promoting the BHN approach; they fear it is designed to keep them economically inferior and is thus inconsistent with their legitimate concern with growth.

BHN-Oriented Growth

In fact, the issue raised by a BHN strategy is not whether economic growth, but what kind of economic growth. Growth is normally measured by the rate of increase in aggregate income and output, Gross National Product. On the output side, this is a function of growth rates of production in various sectors. On the income side, it is an average of growth rates of income of various population groups. The basic needs approach is concerned with the composition of the increases in both production and employment, and with the distribution of increases in income among population groups.

Thus growth and BHN objectives are not separate and distinct. Growth is in fact a vital component of a BHN development strategy, with the pattern of growth being the critical factor. A BHN growth pattern is one in which the benefits of increased incomes and output are equitably distributed primarily by the growth process itself, rather than through tax or other transfer mechanisms which redistribute current income or wealth. This process is most likely to succeed when the growth pattern provides for more, and more productive, employment of the poor whose needs are the target of BHN. Growth concentrated in a few "modern" sectors that account for relatively less employment results in skewed income distribution and makes little contribution to alleviating the scarcity of essential goods or services.

In fact, experience shows that good BHN performance can be associated with either high or low GNP growth.

- Some maintain that since the abundant resource in LDCs is unskilled labor, emphasis on expansion of large-scale, capital-intensive industry results in less than optimal growth, in that an important resource is underutilized. Thus stress on increased productive employment serves efficiency as well as equity, and can lead to high rates of growth in GNP. Korea and Taiwan are frequently cited cases of rapid growth and widespread satisfaction of basic needs.
- Others argue that technological advance is greater in modern capital-intensive sectors and that large-scale projects, however concentrated, can be implemented quickly; and that these projects therefore lead to larger immediate gains in output. Sri Lanka is cited by those who contend that satisfaction of basic needs implies a substantial cost in terms of slower growth, although Sri Lanka's 2% per capita growth rate between 1960 and 1976 compares favorably with the 1.3% average for low-income Asian countries.

The BHN approach offers two criteria for appraising patterns of growth; these allow considerable variety in the pattern of investment and sectoral priorities in individual LDCs.

- First, a BHN pattern of growth should include rapid and broadly-based increases in employment and productivity. More wealthy developing countries, such as the oil producers, can rely on redistribution to raise the incomes of their poor. In most developing countries, however, the scope for redistribution is limited, and higher incomes for the poor can only result from increasing the share of the poor in overall growth through increased and more productive employment. Since unskilled labor is the most abundant and underutilized resource in developing countries, high GNP growth and more productive employment of labor, which raises the incomes of the poor, are mutually reinforcing.
- Second, the pattern of output growth should provide for, but not be limited to, greater supplies of goods and services in food, shelter, education and health. These are essential to individual well-being but also raise labor productivity and thus contribute to GNP growth.

A BHN development strategy can thus be viewed as an extension of other strategies which promote growth with equity. It is not enough to be concerned only with raising incomes of the poor, especially in low-income countries. LDCs and donors alike need to be concerned about both increases in output and better access of the poor to the goods and services essential to well-being.

Implications for Foreign Assistance

The criteria for assessing growth patterns have concrete policy implications, but they also leave room for substantial variation among countries in patterns of production, and correspondingly in the allocation of foreign assistance. No sector can be excluded a priori.

The effect on BHN objectives of assistance to a given sector must be determined for each country, according to both income/employment effects and production effects.

On employment and income, sectors are important, but not determining, since all sectors employ labor. Most of the poor, especially in low-income countries, are located in rural areas, and depend directly or indirectly on agriculture for their livelihood. There can be no presumption that agriculture is the only sector worthy of BHN assistance, however; increasing the productivity of the poor engaged in agriculture is only one approach to the employment problem. Another is expansion of labor-intensive industry, especially small-scale enterprises, that promotes expansion in employment. This is particularly relevant in middle-income countries, where a larger portion of the poor is located in urban areas.

There are other examples:

- Public works programs which employ the landless poor can contribute both to employment and to the creation of needed infrastructure.
- Certain sectors may provide inputs essential to production employing unskilled labor, without themselves being labor-intensive (fertilizer, concrete). These are suitable targets for foreign assistance under a BHN approach provided the contribution to employment, though indirect, is verifiable and substantial compared with alternatives.
- Improving infrastructure is basic to increasing employment. Infrastructure which ultimately makes a significant contribution to labor-intensive productivity is appropriate to a BHN foreign assistance approach. There can be no presumption that this infrastructure must help only the poor, although the benefits to the poor must be clearly demonstrable.

On the production side, it is not enough to allocate domestic and assistance resources to providing food, water and sanitation, housing, health and education. Production in these sectors will depend on material inputs (fertilizer, building materials, furnishings), public services (agricultural research and extension, credit facilities), and trained personnel (teachers, paramedics). Thus foreign assistance may be needed beyond the core sectors. The best approach to adequate food supply may be to efficiently produce and export something else and then import food. Foreign assistance that supports such production could help achieve important BHN objectives.

Because the BHN approach is concerned with sustainable improvements in living standards among the poor, the impact of some BHN measures will be long term rather than immediate, indirect rather than direct, and non-exclusive rather than exclusive. BHN foreign assistance cannot be focused only on direct impact activities. The key conditions are that the impact on the poor be verifiable and significant; and that developing countries follow a development plan that is internally consistent, reflects the priorities of the population, and can be implemented by local institutions.

This allows for donors to emphasize particular sectors or types of projects without being artificially limited. The U.S. bilateral development assistance program can consciously choose to focus mainly on direct impact programs involving food and public services because of the public appeal in the U.S. for such programs. Even these relatively narrow programs must concern themselves, however, with the human and physical infrastructure which supports them, and with an accurate appraisal of the priorities which underlie the overall policy stance of a recipient country. If these policies do not support basic needs objectives, even direct impact programs will have little enduring effect.

Alternatively, donors may support the more diversified full range of BHN development activities. In cases when the impact on the poor is less direct and longer term, however, both overall policies and internal institutions must permit the poor to enjoy the benefits of growth.

Conclusion

The purpose of this paper has been to demonstrate that the basic human needs development strategy need not unduly limit programming flexibility.

It has done this by:

- Clarifying the concepts underlying the basic human needs approach, particularly the relationship between BHN and growth.
- Examining the broad implications for development assistance, in particular the need for flexibility in terms of immediacy of impact and sectors appropriate for support.

The paper is not meant to be a rigorous analysis or a blueprint for action. Carrying out a basic human needs strategy requires a sophisticated understanding of the development requirements, country by country, including careful analysis of data available or to be generated.

The paper also makes clear that considerable country-specific flexibility is required in project design and implementation. Subsequent papers will focus on the range of assistance techniques appropriate to support of a basic human needs development strategy.