

Global Poverty Reduction as an Overarching Goal for USAID: The 1977-80 Experience (Michael Crosswell, PPL/P, February 2014)

Introduction/Summary: With a new mission statement that commits us to helping end extreme poverty, it is important to look back to our prior experience with poverty reduction as an overarching goal. This paper responds to a PPL leadership request for an account of that experience. I came to work for AID/PPC in late March 1977 as a staff economist, a newly minted PhD with 18 months experience in the International Division of the FED. The Carter Administration was getting under way. A strong interest had developed in “Basic Human Needs” (BHN) following the 1976 ILO report and other work; and as a *further step* in the “New Directions” and “Growth with Equity” themes that dated from 1973. The new Administration pursued this in a concerted and systematic way. The overall effort was both expeditious and analytically thorough. Two discussion papers, an interagency foreign assistance study, and a Brookings study were completed *between June and early October*. These led to a *November 1977 Presidential Decision* to adopt a development assistance strategy that “would provide concessional assistance to meet the basic needs of poor people.” By *March 1978* we had an overarching *Bilateral Assistance Strategy Paper*, supported by a new approach to *policy-based strategic budgeting* and by a new set of *program procedures and guidance* for country assistance strategies. By *March 1979* we were making *significant mid-course corrections* in response to new evidence and analysis indicating that the links between growth and poverty reduction were much stronger than previously estimated. More generally, there was ongoing analysis and learning.

Interagency Thought Leadership

During the spring of 1977 AID was tasked to produce a discussion paper for NSC/interagency discussion (“PRM Track 8”, akin to the PSD-7 review of 2009). One way or another, the task fell to me. By late May we had a prototypal white paper -- “Analysis and Implications of a Basic Human Needs Strategy”¹ (28 pp.). It was discussed at the NSC in late June.

The paper was fairly deliberate (okay, tedious), analytical, and evidence-based. It took a proposed strategic goal (meeting basic human needs) and analyzed the nature and scope of the challenge (i.e. feasibility); the relation to other development goals (policy coherence); two basic strategic approaches recipient countries might employ in pursuing that goal; and the broad implications for U.S. foreign aid and U.S. foreign policy. It carefully examined the links with current growth and employment objectives. The two basic approaches were somewhat awkwardly named – the “income transfer” approach and the “resource augmenting” approach. But, the discussion of each approach and the balance between the two was reasonably systematic and coherent. (The “resource augmenting” approach sounded very much like today’s “Feed the Future” initiative. But, at the time we didn’t have the data and analysis to recommend a broader, more dynamic approach to poverty reduction.) The discussion of implications for U.S. foreign aid and U.S. interests went into some detail, including the allocation of assistance across

¹ Available in hard copy from me and at

<https://dec.usaid.gov/dec/content/Detail.aspx?ctID=NzZkMjJlMmYtOTA3MC00OWZkLTliYWU0MTQ4NDcyOWRmODJi&rID=OTMlNw==&sID=MQ==&bckToL=VHJlZQ==&qcf=&ph=VHJlZQ==>

countries and the importance of recipient country commitment. The analysis critically examined two propositions that justified the BHN approach (“Development is mainly about poverty reduction”; and “current trends and strategies will not get that job done”) and pointed out that *neither of those propositions was “wholly acceptable”*. More generally, the paper addressed a number of emerging issues.

I did not attend the NSC meeting, but apparently all went well. If it was a decision-making meeting, then the decision was to move forward – towards an eventual Presidential decision. “Moving forward” proceeded on several fronts:

- An external, Brookings Study (“An Assessment of Development Assistance Strategies”) commissioned by State and completed in October;
- An internal, Development Coordination Committee “Foreign Assistance Study” also completed in early October;
- A DAC paper on Basic Human Needs prepared for discussion at the October DAC Experts Meeting.²

Thought Leadership Among Donors

As soon as the interagency determined that it made sense to pursue basic human needs, we immediately set out to try to get other donors on board through the DAC. The good news is that we had done at least some homework and analysis, and we were producing more. The bad news – we still had not really mapped this out; and our timing was insensitive, as August was prime vacation time for the DAC. More generally, the DAC was not very seized with what probably seemed like a heavy-handed, impetuous U.S. initiative.³ In any case I was “volunteered” to the DAC -- some would say foisted on the DAC -- to ‘help them produce a paper’ for discussion at the October Experts Meeting. With a detailed outline in hand, I departed in mid-August for my first significant TDY with AID – five weeks in Paris writing about poverty.

The DAC paper advanced well beyond the NSC paper⁴. For one thing the context was different, with a more skeptical audience -- one that was more concerned with “whether” than “how”. And, our own thinking was evolving, partly in response to serious issues and questions, and partly because an ongoing concern was how best to frame the challenge in a larger development context. The DAC paper took more of an economy-wide approach, focusing on both the income and production side of the economy, as in the national accounts. So, it came down to policies on the “production side” (both social services and private goods) and policies on the “income side” (employment generation, productivity enhancement and income transfers).⁵ By the end it represented a fairly broad development strategy, to reassure skeptical DAC partners [and ourselves] that we were not approaching basic needs too narrowly. The paper ended with a few

² “Aspects of National Development Policies in the Context of a Basic Human Needs Approach”, September 20, 1977, a “Note by the Secretariat” prepared for the October 5-6 Expert Meeting at the DAC. (about 20 pp.) I have all three in hard copy. The Brookings and DCC studies are available through the Development Experience Clearinghouse.

³ My trip report from a brief July TDY to the DAC is pretty candid on this.

⁴ Following the June NSC discussion, we had spent July and the first half of August developing our thinking further.

⁵ This basic framework carried over to the DCC Study, and the eventual Bilateral Assistance Strategy.

paragraphs on growth and basic human needs, again with emphasis on synergies and complementarities.⁶

The Experts Meeting led to a “Statement by DAC Members on Development Cooperation for Economic Growth and Meeting Basic Human Needs” issued later in October at the High Level Meeting -- a clear example of U.S. leadership in the bilateral donor community. To our credit we had done some homework beforehand, and we were eager to lead on the basis of further homework and analysis. The paper presented a clear goal and organizing framework for foreign aid. We were careful about country ownership and other valid concerns. On the negative side, we were pretty heavy-handed. The DAC continued work on poverty and we continued to promote the “BHN Approach” in international meetings.⁷ I don’t know if there were massive shifts in other bilateral programs. I do know that poverty and basic needs continued to command priority attention in the development community through 1980, particularly at the Bank.

Further Study leading to the November 1977 Presidential Decision

Both the NSC paper and the DAC paper were essentially conceptual, outlining a broad development strategy aimed at meeting basic human needs that developing countries might adopt and that donors might support. Two more thorough and detailed studies -- the Brookings Study (123 pp.) and the DCC Study (76 pp.) – examined the Basic Human Needs approach in the context of U.S. interests in developing countries and current U.S. foreign assistance programs.

I was at the DAC while most of the work on the *DCC study* was done, but I’m pretty sure AID played a lead role in producing the study. The final part of the study analyzed issues and posed options. In particular, the paper identified and distinguished among three overarching options for a U.S. Development Assistance Strategy:

1. Concentrate on key developing countries of importance to the U.S., irrespective of level of development;
2. Concentrate on global problems such as hunger and health (including family planning);
3. Concentrate on poor countries in support of meeting basic human needs.

The discussion compared and contrasted the three options, and looked at the pros and cons of each. The remainder of the discussion focused on issues surrounding the BHN option. Note that poverty was not seen as a “global problem” (as in option 2) but rather a problem of development of poor *countries*.

The *Brookings Study* involved a team of outside luminaries, including from academia. It was wide-ranging, but with considerable focus on basic human needs. Further, it included a major (42 pp.) annex proposing an “International Development Foundation which would be a catalyst and coordinator of U.S. scientific, technical and education activities related to development problems.” (A forerunner of the proposal for a “National Development Institute”.)

⁶ It is ironic that in 1977 the U.S. was pushing poverty reduction and the DAC was deeply concerned about an overly narrow approach that would neglect economic growth. When poverty reemerged as an overarching concern in the late 1990’s, those roles were completely reversed. In both cases, the concern was prescient. It remains valid.

⁷ For instance, in the meeting of the Colombo Plan countries in Washington, November 1978.

All of this – but most clearly the DCC study – provided the foundation for and culminated in the November 1977 Presidential Decision Memo in which the President decided to adopt an assistance strategy oriented towards Basic Human Needs. Further, the detailed analysis and discussion in these reports helped guide implementation of the President’s decision.⁸ The combination of extensive, thorough analysis and rapid movement to a Presidential decision is remarkable. Later policy transitions were much slower and/or much less grounded in careful analysis.⁹

Follow-up and Implementation

The Presidential decision generated comprehensive follow-up efforts, especially in AID.

First, it led to an overarching strategy paper completed by PPC staff in March 1978¹⁰. The paper emerged fairly quickly, in part because it built on and extended the work that had gone on before.¹¹ Simultaneously, the Task Force on Program Procedures reviewed bilateral development assistance and issued a report that laid the foundation for guidance for country assistance strategies, programs, and projects.

A major part of the Task Force’s efforts was development and implementation of a *strategic budgeting model* (in which I became heavily involved.) This model generated *medium-term, indicative* budget allocations based on *selectivity* (i.e. need and commitment) and *focus* (attention to minimal program levels). The approach flowed directly from policy – not just the Presidential Decision per se, but also the extensive analysis (especially the Brookings and DCC studies) that underlay the decision. The foundations and logic for the model were carefully documented and analyzed.¹² In the event, the large increase in development assistance that was supposed to result from the Presidential decision did not materialize, so that the shifts in budget allocations indicated by the model were limited.

Ongoing policy analysis, learning, and adjustment

Finally – in keeping with “think/act/learn” – the concern with poverty reduction generated a sizeable volume of ongoing analysis (within PPC) and adjustment as new evidence and data appeared, particularly the first (Fall, 1978) World Development Report and the associated

⁸ An account of some of the main messages and options in both reports, how they were reflected in the Presidential decision, and the implications for strategic budgeting is contained in “Basic Human Needs and the Allocation of Development Assistance Among Countries”, August, 1979, available from me in hard copy.

⁹ See my 2008 note on Policy and Strategy in five Presidential Transitions. Subsequent to that, I would certainly cite the 2009 PSD-7 review as exceptionally thoughtful and systematic, but severely handicapped by bureaucratic rivalries.

¹⁰ “A Strategy For a More Effective Bilateral Development Assistance Program: An AID Policy Paper”, 85 pp, available from the Development Experience Clearinghouse. The lead author was John Eriksson, the head of PPC’s Office of Policy Development and Program Review. I have a hard copy.

¹¹ There were some bureaucratic tensions, as several offices in PPC [including the office I belonged to] split off to form IIA [the Bureau for Intergovernmental and International Affairs]. Nonetheless, the staffs of the two bureaus collaborated closely and harmoniously.

¹² See my August 1979 paper cited above, about 50 pages, plus a set of 14 brief background papers on various issues that came up.

background papers. By late 1978 country-level data had emerged that *undercut the basic argument that growth in the developing world had failed to reduce poverty*.

- We figured out that for low-income countries – where most of global poverty was concentrated – hardly any growth had taken place over the past decade or so. In contrast, middle income countries had achieved fairly rapid growth, and had low rates of poverty. Growth in the developing world had failed to reduce global poverty only in the sense that rapid growth in Thailand had not reduced poverty in slow-growing Bangladesh.
- At the same time, new data permitted comparisons *across countries* demonstrating that the share of the population below the poverty line tended to fall sharply as per capita income increased.
- Finally, data on trends in income distribution *within* countries gradually emerged. They showed no systematic tendency for income distribution to become less equal with growth.

Accordingly, PPC staff produced a number of notes and working papers that culminated in a March 1979 DCC Policy Paper, “Evolution of the Basic Human Needs Concept”.¹³ The main purpose was to document and emphasize the primary importance of economic growth for meeting basic human needs. The DCC paper discussed “the perceived dichotomy between basic human needs and growth, one which is still widespread today. According to this perception, projects and programs are either basic needs oriented or growth oriented but not both, leading to predictable and heated discussions about the proper balance between the two in development efforts, as if one dollar more for growth were one dollar less for basic needs.” The paper went on to direct attention to both the pace and pattern of growth.

Apart from ongoing development and adjustment of policy, the analytical work generated by these policy issues and questions generated a number of discussion papers by PPC staff that were published in a volume, “Basic Needs and Development”, edited by Danny Leipziger (October 1980, 240 pp.)¹⁴.

This overall policy and strategy effort survived the departure of Administrator Gilligan in 1979 and the creation of IDCA (International Development Cooperation Agency) to oversee AID. However, the unclear division of policy responsibilities between PPC and IDCA; the 1980 election; and the increasing preoccupation of the development community with urgent issues of structural adjustment and growth reduced the direct emphasis on poverty reduction and basic human needs. At the same time, there was increasing confidence – as more and more evidence became available -- that if growth could be achieved, poverty would fall significantly. So, the shift in attention did not represent an abrupt change in goals. It was only in the late 1990’s that the development community again perceived the need to focus directly on poverty – largely ignoring the (by then) well-documented development record.¹⁵

¹³ Available at:

<https://dec.usaid.gov/dec/content/Detail.aspx?q=TWljaGFibCBDcm9zc3dlbGw=&ctID=ODVhZjk4NWQtM2YyMi00YjRmLTkxNjktZTcxMjM2NDNmY2Uy&rID=MTY0NjQ2&qcf=&ph=VHJ1ZQ==&bckToL=VHJ1ZQ==&>

¹⁴ One of the papers was an expanded version of the aforementioned DAC paper. Another -- “Growth, Poverty Alleviation, and Foreign Assistance” -- is available at

<https://dec.usaid.gov/dec/content/Detail.aspx?q=TWljaGFibCBDcm9zc3dlbGw=&ctID=ODVhZjk4NWQtM2YyMi00YjRmLTkxNjktZTcxMjM2NDNmY2Uy&rID=MTY0OTY3&qcf=&ph=VHJ1ZQ==&bckToL=VHJ1ZQ==&>

¹⁵ For a USAID/PPC reaction see “USAID and Poverty”, PPC Policy Background Paper, March 2000, at

Concluding Comments and Observations

Any development strategy or policy directed at a significant goal calls for serious analysis of whether and how the goal can be achieved. This includes:

- Awareness and understanding of the development record and lessons of experience where that goal is concerned;
- A sound, clear conceptual framework of ends and means;
- A good understanding of the implications for resource allocation and programing
- An understanding of how this goal relates to existing/continuing goals, beyond statements about “mutually reinforcing”; and clarity about what resources will be mobilized to achieve the goal, and the tradeoffs and tensions with other goals and resources (i.e. policy coherence)
- Full attention to challenging issues and questions.

This analysis is critical *for informed decision making* and for *exercising leadership among USG agencies and/or donors*.

This sort of “homework” – especially thinking through serious issues and problems – also pays off as we move *to implement the strategy or policy*. (A stitch in time saves....)

Further, even after a strategy or policy has been issued, there is plenty of need for ongoing policy analysis and learning, and perhaps even mid-course corrections.

On the specific issue of poverty my experience is that no matter how much the primary role of economic growth in reducing poverty is acknowledged up front, the ensuing strategies and approaches nearly always give short shrift to growth and instead focus on targeted, direct-impact activities. This tends to separate poverty reduction from development, to the detriment of both. This happened during 1977-80, and more recently with the MDGs.

Finally, it is important to recognize some of the *major differences* between the situation in 1977-80 and our current situation:

- We have much more in the way of a documented development record; relatively up-to-date country-specific data on development and poverty; and analysis and lessons learned based on that evidence.
- The challenge of poverty reduction and the role of economic growth and overall development progress is familiar territory. While there is always more to learn, we have learned a great deal about poverty over the 40 years since the 1973 New Directions.

- We are *not* talking currently about a new, overarching assistance *strategy* that would overtake existing policies, priorities, and initiatives. Whereas the entire development assistance budget was in play in 1977-80, it is apparent that our current and prospective budgets are largely spoken for.
- More generally, the relationship between “ending global poverty” and our many other goals, objectives and initiatives remains in need of clarification.