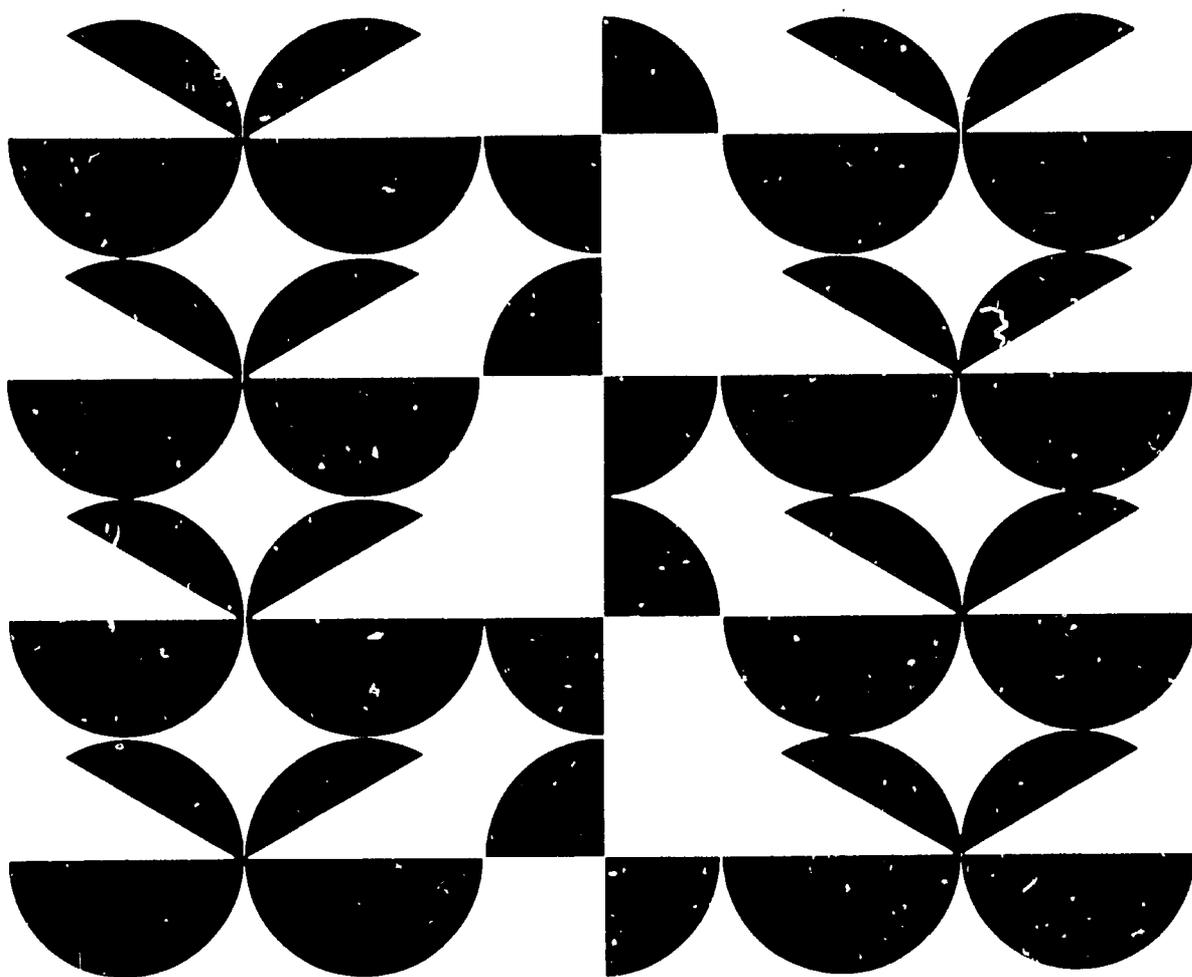


Development Coordination Committee
Policy Paper

Evolution of the Basic Human Needs Concept



March 1979
(Revised, July 1980)

Agency for International Development
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DEVELOPMENT COORDINATION COMMITTEE
POLICY PAPER

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Bilateral Assistance Subcommittee
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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 (BHN) of poor people. The low-income countries would continue to receive top priority, but middle-income 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 basic needs objectives, analyzing the key elements of LDC policies in pursuit of these objectives, drawing implications for donor support, and relating the new approach to more traditional development objectives such as growth in GNP and employment, and improved income distribution.

The decision was not a radical departure, but rather a natural outgrowth of earlier approaches that modified traditional growth objectives to include an emphasis on employment and equity -- including the U.S. bilateral development assistance legislation, with its stress on equitable development in key sectors such as rural development, agriculture, nutrition, population, health, and education; the growth with equity approach as formalized in the IBRD/Sussex volume Redistribution With Growth; and the International Labour Office's work on employment strategies. Indeed, the first general presentation of the basic needs approach emerged at the ILO's 1976 World Employment Conference.

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-oriented 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 many of the key elements. The strategy was also subsequently discussed at the UN, in AID's program guidance for FY 1980, and in the IBRD's World Development Report. This widespread discussion in turn has led to an evolution of thinking about basic needs and in particular the implications for assisting LDC implementation of the BHN approach.

The remainder of this paper details this evolution, focusing particularly on the relationship between basic needs and growth. It then draws some general implications about development assistance programs designed to support LDC efforts. A separate paper, "A Strategy For A More Effective Bilateral Development Assistance Program" (AID Policy Paper, March 1978) extends this analysis in the context of the bilateral assistance program.

Is There A BHN/Growth Dichotomy?

Basic needs objectives have often been viewed as essentially separate and distinct from growth objectives. 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." Similarly, the DAC Secretariat wrote in June 1977, "The [BHN] strategy strikes a balance between policies aimed at economic growth and poverty-oriented policies." In the same month, the 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" and announced "their determination to direct, in cooperation with developing countries, a progressively larger share of their efforts to programs meeting basic human needs."

Perceptions of BHN in both donor and recipient countries have frequently reflected this view of development options in terms of a growth/BHN dichotomy. In this view, development programs, policies, and projects can be either BHN-oriented or growth-oriented, but not both. This fundamental misunderstanding has led to important problems, both conceptual and practical.

- First, it has tended to place artificially narrow constraints on programs and policies to be carried out in the name of BHN. This tendency has been reinforced by some interpretations of legislation and Congressional directives to A.I.D. These interpretations suggest that projects be justified in terms of their (more or less) immediate, direct, and exclusive impact on the well-being of the poor majority -- e.g., direct food aid for poor groups; financial and technical assistance for low-cost health and nutrition; basic education and family planning programs directed to low-income families; etc. The inference drawn by some has been that these are "BHN projects" in contrast to other projects that have substantial impact -- which might, however, be eventual (rather than immediate), indirect, or non-exclusive -- on the poor. The first category of projects clearly does meet basic needs, but they are not the only way, nor are

they necessarily the best way, to achieve BHN objectives over time.

The artificially narrow constraints imposed by acceptance of the BHN/growth dichotomy can have important implications for project design, staffing, rate of disbursement, and style of relationships between donors and recipients. Under these constraints, projects tend to focus only at the local level, where specific programs and projects can be closely monitored and adjusted as needed to ensure their precise impact on the target population. However, such projects are usually laborious to design and difficult to implement. As there is a great scarcity of trained personnel in many LDCs who can help implement the projects, training must be undertaken. Institutional systems in these countries frequently are either deficient, non-existent, or geared to support the elite. Experience suggests that it takes several years to develop adequate institutions, including delivery systems. Activities of this kind typically require significant numbers of foreign personnel to assist in implementation and on-the-job training of nationals during the entire life of the projects. And once foreign donors withdraw, these projects can generally succeed only if a sound overall policy framework exists and adequate institutional development has occurred.

- A second, equally important problem is that the BHN/growth dichotomy tends to remove criteria by which "growth" projects and programs ought to be appraised. The implication is that since BHN is that part of a development strategy that focuses on the poor, the growth element need not have any impact at all on the poor. Accordingly, a "growth" project (for instance, an industrial project) can be implemented with little or no concern for its direct or indirect contribution to meeting basic needs through increased employment of unskilled labor or through securing adequate supplies of essential goods and services. The fact is that industrial projects can contribute to meeting basic needs in a variety of ways -- through direct effects on employment, through indirect effects on employment (e.g., a plant that produces cement for labor-intensive construction), through direct supply of inputs essential to food production (e.g., fertilizer), or more indirectly by generating foreign exchange to finance food or other basic imports (e.g., manufactures for export). However, appraising projects only in terms

of their direct effects on aggregate output and growth often results in inadequate appreciation of their potential impact on employment and incomes of the poor or on other, indirect ways to promote basic human needs objectives.

- A third problem created by the BHN/growth dichotomy is that it tends to force many to the false conclusion that developing countries must first grow and then meet basic needs. This has been the traditional view of the issue. Since many officials in both developing and donor countries attach the highest priority to growth, they are unwilling to increase the share of scarce resources allocated to economic uses that are not perceived to have immediate and clearly positive implications for growth. They often regard pursuing basic human needs objectives as a welfare approach, which directly provides food, shelter, health and education to large numbers of poor through income redistribution, financed in part by taxes on the non-poor and in part by foreign donors. Consequently, many developing countries have been suspicious of developed country motives in promoting the BHN approach; among other reasons, it is perceived as an alternative to their legitimate concerns for raising GNP growth that would keep them in a position of economic inferiority.

It is clear that such a welfare approach is neither feasible nor appropriate. Therefore, some have retreated to the conventional wisdom that it is desirable to increase GNP first and then take care of the poor and their basic needs. This reasoning rests on the growth/BHN dichotomy. Since this dichotomy is false, the conclusion that countries must first grow and then meet their basic needs is a pitfall that needs to be avoided.

BHN-Oriented Growth

In fact, the issue raised by a BHN strategy is not whether to focus on growth, but rather what kind of growth is to be achieved. Economic growth is measured by a single number -- the rate of increase in aggregate income and output, or Gross National Product. On the output side, this aggregate rate of increase reflects growth rates of production in various sectors. On the income side, it is an average of growth rates of earned income of various population groups. The basic needs approach

is concerned with the composition of 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 pattern of growth is one in which the benefits of increased incomes and output are equitably distributed primarily by the growth process itself, rather than redistributed through tax-transfer mechanisms. This process is most likely to succeed when the pattern of growth provides for fuller and more productive employment of human resources, including the poor -- those who cannot meet their basic needs. A pattern of growth in which scarce capital is concentrated in only a few "modern" sectors that account for relatively little employment commonly results in skewed income distribution and tends to make little or no contribution to alleviating scarcity of essential goods or services.

Defining the basic needs approach in terms of patterns of growth still leaves open the question whether basic needs-oriented growth results or does not result in lower overall (GNP) growth rates compared with other patterns of growth. There are arguments and examples to support both cases.

-- The most compelling argument against such a trade-off is that since the abundant resource in most LDCs is unskilled labor, emphasis on expansion of large-scale, capital-intensive industry results in high rates of unemployment and underemployment of unskilled labor and, consequently, less than optimal growth, in that a potentially productive resource is widely underutilized. Accordingly, the BHN approach -- with a stress on broadly-based increases in productive employment as a means for alleviating mass poverty -- is commendable on the grounds of efficiency as well as equity and should lead to high rates of growth in GNP.

-- Arguments in favor of the existence of a trade-off are that technological advance (an important source of growth) is greater in modern capital-intensive sectors and that large-scale projects -- which may have little direct or indirect effect on meeting basic needs -- can be implemented relatively quickly and, therefore, lead to larger gains in output, at least in the short run. However, the question of

what such growth is supposed to accomplish in terms of more ultimate development objectives remains.

- The evidence from actual country experiences is also mixed. The examples of Korea and Taiwan are the most frequently cited cases of rapid growth and widespread satisfaction of basic needs. 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 two-percent average annual per capita growth rate between 1960 and 1976 compares favorably with the nine-tenths percent average for low-income countries and the one and three-tenths percent average for low-income Asian countries. Further, there is evidence that Sri Lanka could have grown more rapidly with no sacrifice in BHN performance.

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

- First, a BHN pattern of growth should in most cases include rapid and broadly-based increases in the volume and productivity of employment. It is conceivable that more wealthy countries -- for example, those with relatively large petroleum reserves -- could rely on redistribution to raise the incomes of their poor, at least for a while. In most developing countries, however, the scope for redistribution is quite limited, and higher incomes for the poor can result only from increasing the share of the poor in overall growth through increased and more productive employment.
- Second, the pattern of growth in output should provide for, but not be limited to, adequate supplies of goods and services -- food, shelter, education, health services, etc. -- that are more or less essential to individual well-being. Much of this "consumption" is more accurately characterized as investment in human capital, and thus can contribute to longer term GNP growth through increased labor productivity.

A BHN development strategy can thus be viewed as a particular extension of general strategies that promote growth with equity. It recognizes that growth in earned income of the poor is vital, but that such income growth must be matched

by increased availability of goods and services that satisfy basic needs. Particularly in low income countries, this means that LDCs and donors need to be concerned also about increases in production, supply, and accessibility to the poor of the goods and services that are essential to well-being.

Implications For Foreign Assistance

The criteria that can be used to assess patterns of growth have concrete policy implications, but they also leave room for substantial variation among countries in patterns of production and allocation of foreign assistance. Accordingly, no sector can be excluded a priori as a legitimate target for economic assistance under a BHN strategy. On the other hand, this does not imply that economic assistance needs to be extended to all sectors. The sectoral choice is one that has to be made on a country-by-country basis, taking into account such factors as donor capabilities, relative sectoral needs, the importance of particular development constraints, etc. Whether a given sector is suitable for economic assistance depends on how substantial the linkages are between assistance to the sector and achievement of BHN objectives, compared with alternative uses of assistance. These linkages can be analyzed according to both income/employment effects and production effects.

With respect to employment and income, 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 is no presumption in a BHN approach that agriculture is the only productive sector worthy of 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, which tends to promote a substantial expansion in employment. This option is particularly relevant in middle-income countries, where a larger portion of the poor is likely to be located in urban areas.

There are other examples:

- Activities that employ the landless poor, such as public works programs, can contribute both to employment and to the creation of needed infrastructure.

- Certain sectors may provide inputs essential to production processes that employ unskilled labor, without themselves being labor-intensive (e.g., fertilizer). These are suitable targets for foreign assistance under a BHN approach provided the contribution to employment, though indirect, is significant and substantial compared with alternatives of foreign assistance.
- Activities that provide productive employment depend on various types of infrastructure. Improving infrastructure which ultimately makes a significant contribution to labor-intensive production is an appropriate use of foreign assistance under a BHN approach. There is no presumption that this infrastructure must help only the poor, so long as the benefits to the poor are demonstrably large.

On the production side, the obvious approach is to allocate domestic resources and foreign assistance to producing food, water and sanitation, housing, health, education, etc. However, adequate production of these basic goods and services 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. In some countries the best approach to adequate food supply (or fertilizer supply) may be to produce and export something else and then import food. Under certain circumstances, foreign assistance that supports such production could help achieve important BHN objectives.

These examples suggest that a variety of sectors, not just a few core sectors, may be important in achieving basic needs objectives. In fact, the bulk of the world's poor are in low-income countries where poverty is pervasive and the problem of meeting basic needs is one of economy-wide proportions. Therefore, since the overall pattern of growth is key to the success of a BHN approach, assistance may in some cases be most effective in BHN terms when directed towards the economy as a whole rather than towards a specific sector. Effectiveness in such cases depends crucially on the institutional and policy setting of the country. Where these are supportive of BHN objectives, assistance provided as a general resource transfer rather than targeted on certain sectors can effectively further these objectives. Where countries are prepared to make structural reforms that will lead to a pattern of growth

conducive to increased satisfaction of basic needs (i.e., one characterized by rapid gains in employment and increased availability of essential goods and services), assistance that encourages and supports these reforms serves the purpose of meeting basic needs.

Because the BHN approach is concerned with sustainable improvements in living standards among the poor, the impact on the poor of some policies, programs, and projects can be longer-term rather than immediate, indirect rather than direct, and non-exclusive rather than exclusive. So long as this impact is verifiable and ultimately significant, there is no reason why foreign assistance must be focused only on direct impact activities. The key condition is that developing countries follow a development plan that is internally consistent, reflects the values and priorities of the population, can be implemented by their institutions, and documents the sorts of linkages described above between the elements of the plan and the BHN objectives. This permits areas of emphasis for certain donors, but does not unduly limit them. However, where donors support aid activities in which the impact on the poor can only be indirect and long-term, it is important that a greater effort be made to assure that both the overall policies pursued and the structure of internal institutions will permit the poor to participate in the benefits of growth. Otherwise, there is a danger of reverting to some of the unsuccessful trickle-down experiences of the past.