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**A Review of  
"What is the Development Task?"**

by

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for the MUCIA Colloquium**

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## What is the Development Task?

Elliott R. Morss

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### OVERVIEW

Morss' premise is that Western development assistance has lost its way; that its ends and means need to be reviewed and revised. Politicians have used aid to buy political allegiance while the industries it spawned are converting the aid to serve their interests. This paper focuses on a few key issues which are likely to shape tomorrow's "development task". By the author's own admission, the paper completely omits any discussion of how to effect needed changes. While Morss' arguments for individual activities are often strong and internally consistent, they sometimes conflict with arguments in favor of other activities.

### HIGHLIGHTS OF PAPER

The author sees two reasons for humility in defining the development task: past failures to accurately predict world trends; and his own perspective as a product of the development industry. He also reminds the reader of possible value judgements underpinning one's definition of the development task (pp.5-6).

#### Specific Activities of the Development Task

Think globally about possible future scenarios and the effects they will have on major world players (nation-states, multinational corporations, and international organizations).

Getting the world back to full employment -- "The primary aim of Western nations should be to get the world back to near full employment - a world in which there are incentives for goods to be freely traded...Until a world recovery is generated, developing countries would be foolish to behave as if free international trade was the rule rather than the exception."

Western trade liberalization -- Western nations cannot continue to say "do as I say, not as I do."

Monitoring and assessing the impact of technological change is important to assess their consequences, and help developing countries deal with them.

Realign the aid shares of donor nations.

What countries should receive aid? -- Though a definitive case cannot be made for how aid should be distributed, most people agree that there is a per capita income level above which a country should no longer be eligible for concessional financial assistance. Morss concludes that significant reductions in aid to countries which had per capita incomes above \$850 in 1982 should be considered. The savings could be used to reduce overall aid disbursements or to support lower income countries. Morss questions whether the lower income countries could effectively utilize the increased aid.

The graduation problem --- As more countries "graduate" from eligibility for concessional assistance, Western nations should consider alternative organizational arrangements to maintain continuity in the development process and linkages with these nations. Technical exchange programs between Western nations and advanced developing countries might be promoted.

Reflection on development actions --- The following paragraphs present Morss' views on what should be done in Asia and Africa. He laments that there are too few forums for Western nations to debate the pros and cons of present actions and to make appropriate changes in course. "Aside from superficial and non-systematic legislative harassment, this activity is almost totally lacking."

Asia --- China and India appear to be able to attract substantial amounts of foreign private investments, if and when they want it. With appropriate policy changes, these countries should rapidly become aid "graduates".

In other Asian countries, mushrooming population, political turmoil, or antipathy to the free market system pose different problems. "It seems that the creation of sensible development strategies for all of these countries will take very sophisticated thinking and considerable risk. For the most part, Westerners are not currently qualified to provide this form of assistance." Population control programs are an important priority.

#### Sub-Saharan Africa (SSA)

Population control --- Top priority should be given to reducing the population growth rate. The provision of additional development assistance to SSA should be conditional upon the adoption of vigorous, noncoercive population control programs.

Widening disparities can be expected in quality of life between SSA and all other developing country groupings.

Rethinking the agriculture/rural development focus --- According to Morss, this strategy has not produced its desired outcomes. It has not stemmed the flow of migrants to the cities; nor has it allowed sub-Saharan Africa to maintain its share of international agricultural markets and use the proceeds to finance national development. New market studies are needed to anticipate what is happening globally, "i.e. what new countries are entering commodity export markets and what will be the reaction of current exporters to a resurgence of exports from sub-Saharan Africa...The result might lead to a freeing-up of substantial foreign and indigenous resources for other purposes."

Food self-sufficiency --- Having said that the agriculture/rural development focus should be reconsidered, Morss says food self-sufficiency is a "worthy goal for most SSA countries to pursue." Donor responsibility should be to ensure that they do not interfere with incentives to produce locally.

A new urban development focus --- Morse argues that cities will be far more attractive targets to foreign investors if they are well-planned and have the appropriate infrastructure. It is not argued that donors should support urbanization in all SSA countries, but consideration should be given to creating "four or five major urban agglomerations that would serve as centers of major industrial activity and transport nodes for the entire African continent."

Institutional development --- The institutional infrastructure of SSA have not functioned effectively in the world economy. Nor have the institutions been strong enough to resist the onslaught of large numbers of donors. Donors, rather than the

governments of SSA, have determined development policy. Donors have begun to coordinate their activities, but they themselves have their institutional survival to worry about.

Morss stresses the complexity of economic issues and the continuing inability to formulate the "right" policies. Dialogue is critical, "in which donors acknowledge that they too need to learn more in order to formulate sensible programs for their own actions."

Creating policy-making capacity in SSA governments -- A number of SSA nations do not have this capacity. Other nations "find it easier to repond to donors' demands than establish one's own lists of priorities" or "to blame donors for unpopular policy measures."

Morss believes that the real hope for both types of countries is their next generation. It is in the interest of Western nations for their institutions of higher learning to play a role in providing the newcomers with a global philosophic perspective of policy-making.

Streamlining donor assistance -- This is necessary to "limit overlaps and unnecessary jurisdictional squabbles."

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## WHAT IS THE DEVELOPMENT TASK?

A paper prepared for the Wingspread Conference on  
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## WHAT IS THE DEVELOPMENT TASK?

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### Prologue

Western development assistance has lost its way. Lacking any self-assessment capacity, politicians have used it to buy political allegiance while the industries it spawned are converting it to serve their interests. This leaves Western taxpayers and developing countries confused and disillusioned. And the setting is quite different than a quarter-century ago when the United States undertook the first major development assistance activities.

### Introduction

Despite recent positive studies,<sup>1</sup> there is a growing sense that the ends and means of Western development assistance need to be reviewed and revised.<sup>2</sup> In part, these actions are seen as necessary because of changing economic and political circumstances;<sup>3</sup> in part, they are urged out of a growing recognition of what does and does not work.<sup>4</sup> A review of development assistance objectives and programs would appear particularly timely today inasmuch as a new American President will be coming to power in less than a year, and that will provide a good opportunity to enact needed reforms.

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1 E.g., Organisation for Economic Co-operation and Development, Twenty-Five Years of Development Co-operation: A Review, 1985 Report and Robert Cassen and associates, Does Aid Work?, Oxford University Press (1986).

2 Elliott R. and Victoria A. Morss, The Future of Western Development Assistance, Westview Press (1987).

3 John Sewell and Christine E. Contee, "Foreign Aid and Gramm-Rudman," Foreign Affairs, Vol. 65, no. 5 (1987), pp. 1015-36.

4 See Percy Mistry, "External Financing of Development in the 1990s," November 10, 1987 (in mimeo).

The purpose of this paper is to discuss various conceptions of today's and perhaps more importantly tomorrow's development task. The paper does not aim to be comprehensive because of the excellent written work already available; rather, it focuses on a few key points to serve as part of a future synthesis. It completely omits any discussion of how to effect needed changes.

### Two Reasons for Humility

Given past failures to accurately predict world trends, common sense leads one to approach this assignment with considerable humility. Take but one example of our failure to accurately predict the future: less than ten years ago, the Global 2000 Report predicted widespread food shortages would soon be with us. The policy implications for developing countries was that world export prices should remain strong and the prospect for agricultural exports were good. An expert observer of agriculture has recently said:

The substantial growth of investment in agriculture resulted from the macroeconomic policies that resulted in negative real interest rates for several years, federal income tax policies that made agriculture into an enormous tax shelter, and inaccurate expectations on the part of many farmers that the good times would continue to roll. These expectations were fueled by misleading statements emanating from Independence Avenue in Washington, culminated by a national disgrace, The Global 2000 Report to the President. The erroneous expectations infested the Congress and the Reagan Administration as evidenced by the 1981 Farm Bill, which seemed to be based on the assumption that world demand for food was going to outstrip supply for years to come.<sup>5</sup>

This is only one of the many examples of our inability to anticipate future developments. Failure to anticipate formation of the oil cartel and the

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5 D. Gale Johnson, "Policy Options and Liberalizing Trade in Agricultural Products: Addressing the Interests of Developing Countries," preliminary draft in mimeo, (1988) p. 19.

erroneous judgments on what would then happen to oil prices provides another example of our inability to anticipate the future. Indeed, the cutoff in capital flows from the Middle East to the major international banks resulting from the fall in oil prices brought the Latin American debt crisis to a head.

The above provide only two examples of our continuing failure to anticipate and factor future events into the consideration of appropriate strategies for developing countries. Fortunately, there are several positive lessons to be drawn from these failures. First, more attention must be given to the global factors influencing the growth of developing countries; and second, more effort must be put into anticipating the future and the possible roles of developing countries therein. Admittedly, this forces us into areas of great uncertainty, but the examination of alternative scenarios is a safer and more intellectually honest approach than basing policy pronouncements on a snapshot of today's circumstances.

There is a second reason for approaching this assignment with humility: I am a product of the development assistance industry. Because I have been a member of the industry for so long (staffer at the International Monetary Fund, principal in a large development assistance consulting firm, now an academic where part of my job involves bringing development "business" to the university), I am somewhat unsure of my ability to stand back to define the future development task.

#### The Development Assistance Industry

Development assistance has created an industry that now plays a major role in influencing the direction of aid programs. It is only a slight

exaggeration to say development assistance has become a captive of the industry it spawned. The goals and means of aid have become determined by the interests of industry groups, rather than by the interests of intended beneficiaries. The industry includes not only the service delivery groups - consultants, private voluntary organizations, and universities - but also donor organizations and various parliamentary and executive bodies of Western governments that provide aid funding. While the service groups and donor organizations are fighting for a larger share of aid, the governmental groups are engaged in old-fashioned bureaucratic and political struggles that often have more to do with power and control than substance.

#### Possible Value Judgments Underpinning One's Definition of the Development Task

Donors have defined the development task in quite different ways. These differences stem largely from different perceptions of development assistance purposes. These perception have included:

- 1) What Western peoples want - humanitarian aid<sup>6</sup> and reduction of the U.S. government's twin deficits; they don't want aid monies to buy political allegiance or to support counter-insurgences; they also don't want aid to lead to loss of Western jobs;
- 2) What has historically been Western governments' justification in supporting aid; here, we must distinguish between the United States, Europe, and Japan. In the U.S., the Executive and Congress have promoted self-sustaining development as a means of containing communism;<sup>7</sup> European governments have supported aid on

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6 Christine E. Contee, What Americans Think: Views on Development and U.S.-Third World Relations, a report sponsored and published by InterAction and the Overseas Development Council, 1987.

7 E.g., "The Objectives of United States Economic Assistance Programs," a study prepared for the U.S. Senate, Special Committee to Study The Foreign Aid Program, January 1957.

humanitarian grounds<sup>8</sup> while Japanese governments have seen aid as an export-promotion vehicle;

- 3) What will today serve Western interests, however they might be defined;
- 4) What will today serve the development interests of less-developed countries. My value underpinnings (and political judgments) lead me to an approach that encompasses some of the views of Western peoples, a particular definition of current Western interests and the interests of less-developed nations. I believe there is real prospects for programs that are compatible with several of the above positions, but I recoil from how some have exaggerated the benefits to the West of promoting development.

### The Development Task

#### a. Introduction

The paper breaks the development task into a number of specific activities. The first has already been mentioned - the need to think globally about possible future scenarios and the effects they will have on major world players (nation-states, multinational corporations, and international organizations). The remainder of this paper will outline other needed activities.

#### b. Getting The World Back to Full Employment

Over the last few years, Western donors, through various forms of structural adjustment agreements, have put considerable pressure on developing nations to reform their economic policies. In my view, many of the points being pressed by donors in the policy dialogue are no longer valid (African producer prices have been increased; African governments are

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<sup>8</sup> See Elliott R. and Victoria A. Morss, U.S. Foreign Aid: An Assessment of New and Traditional Development Strategies, Westview Press, Boulder, Colo., Chapter 2.

now asking donors to finance storage facilities); in addition, there is no point in pushing for further reform in developing countries until Western nations reform their policies in a coordinated manner that will put the world economy on a course to full employment.

Let me explain. Many countries of the world have not recovered from recession conditions generated by tight monetary and fiscal policies they adopted to control their balance of payments deficits resulting from two oil price increases in the 'seventies. This, coupled with the debt crisis resulting from foolish private bank loans to developing countries in the same period, means that many countries are operating at far below full employment, a situation that is likely to worsen as Western technological advances reduce the demand for cheap labor and commodities.

The U.S. balance of payments and government deficits have worked to counter a potentially serious global recession by providing a large aggregate demand stimulus to the world economy. The United States government has now come under domestic and international pressure to reduce its twin deficits. In recognition of the deflationary impact reducing these deficits will have, the U.S. Administration has been pressuring Japan and West Germany to reduce their trade surpluses to neutralize the recessionary impact of smaller U.S. deficits. It remains questionable whether Japan and West Germany will take significant stimulatory actions; and it should be remembered that together, the trade surpluses of these two countries amount to only \$100 billion, or slightly more than half of the U.S. trade deficit.

Clearly, then, these countries cannot be expected to fully neutralize the global recessionary impact of a reduced U.S. trade deficit. The result

will be a deepening global recession and the prospect of growing trade wars as Western nations take steps to protect their employed workers.

In these circumstances, it is the height of irresponsibility for Western donors to pressure developing countries to adopt free trade policies. The assumptions underlying the neo-classical model simply do not hold in today's world: very little of what is traded internationally is freely traded; indeed, it is extremely difficult to even conceive what free trade means in today's setting.<sup>9</sup> And meanwhile, while all this pressure is being placed on developing countries to adopt free trade policies, Western nations are adopting policies that protect their employment levels at the expense of developing countries.

In short, this means that today, a successful developing country trading strategy may well depend less on liberalizing its trading regime than on correctly anticipating what Western nations are willing to import.

The primary aim of Western nations should be to get the world back to near full employment - a world in which there are incentives for goods to be freely traded. At less than full employment, the incentive structures will lead nations to adopt barriers to free trade - a situation that will work against the well-being of almost all nations. Until a world recovery is generated, developing countries would be foolish to behave as if free international trade was the rule rather than the exception.

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<sup>9</sup> In a recent talk at the Center for Applied Social Sciences at Boston University, Amitai Etziona made the point that the major failure of neo-classical economics has been its abandonment of reality for excessively sophisticated economic models. There is no better example of this than the failure of trade economists to recognize that free trade is no longer the prevailing practice in international transactions.

Current trade policy recommendations of Western donors illustrate the need for donors to rethink what should be included in the policy dialogue. Just what trading policies donor organizations should be recommending is an extremely interesting question, but too detailed for me to address in this paper.<sup>10</sup>

c. Western Trade Liberalization

As indicated above, a critical development activity is to return the world to full employment. Substantial progress is needed on this activity to provide necessary incentives to undertake another important activity: reducing Western impediments to free trade that take the form of subsidies, quotas, and protective tariffs. It should be noted that things are getting worse:

- in 1987 alone, zero-duty treatment on over \$3 billion worth of imports was withdrawn by the U.S. government;<sup>11</sup>
- the number of countervailing and antidumping actions brought by developed countries against developing countries is increasing dramatically;<sup>12</sup>
- what modest positive benefits that occurred as a result of the Caribbean Basin Initiative have been far more than offset by the loss of access to the U.S. sugar market.<sup>13</sup>

The World Bank has done a good job of aggregating market dislocations resulting from Western government interventions,<sup>14</sup> but concrete examples bring the point home more forcefully:

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<sup>10</sup> I have developed these points in a recent paper: "Reformulating the Theory of International Trade for Policy Applications in Developing Countries," (in mimeo).  
<sup>11</sup> Robert E. Baldwin, "Increasing Access to Markets for Manufactured Goods: Opportunities in the Uruguay Round," (in mimeo) 1988.  
<sup>12</sup> Ibid.  
<sup>13</sup> Johnson, op. cit.  
<sup>14</sup> The World Bank, World Development Report 1986, New York: Oxford University Press, 1986.

- in the United States, Europe and Japan, the consumer and taxpayer costs of retaining excess resources in agriculture is equal to or greater than net farmer operating income;
- in 1987, the United States sold sugar that cost the American taxpayer \$450/ton to China at a price of \$105/ton.<sup>15</sup>

These circumstances highlight the problems of pressuring developing countries to liberalize their trading regimes; not only is this not in the interest of developing countries, but Western nations are confronted with a "do as I say, not as I do" problem.

d. Monitoring and Assessing the Impact of Technological Change

Over the next decade, it is probable that technological change will have more profound effects on how goods are produced and on the relative economic position of nations than anything in the history of man. The most important coming technological changes can be categorized under four major headings: microelectronics, biotechnologies, new materials, and new combustion technologies. It is likely that most of these changes will work against the competitive position of developing nations - a not very surprising hypothesis since most of these development were financed in the West.<sup>16</sup> In brief, the arguments go as follows:

- microelectronics are eliminating low-cost labor from the production process in almost all industries, thereby eliminating a major source of developing countries' competitive advantage;
- biotechnologies are reducing the land and labor input in plant and animal production which again works against the competitive position of developing countries;
- new materials will substitute for commodities that have been primary exports of developing countries;
- new combustion technologies will result in the substitution of plant and human wastes for fossil fuels in energy generation.

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<sup>15</sup> Both examples are taken from ibid.

<sup>16</sup> For preliminary evidence on this, see Peter F. Drucker, "The Changed World Economy," Foreign Affairs, vol. 64, no. 4 (Spring 1986), pp. 768-791.

If these hypotheses prove correct, they could have disastrous consequences for developing countries. Hence, another activity is to monitor technological developments, assess their consequences, and help developing countries deal with them.

f. Realigning the Aid Shares of Donor Nations

The relative economic positions of Western nations have changed dramatically since significant aid programs were initiated more than twenty-five years ago. It is accordingly appropriate to reconsider the relative amounts Western nations should contribute to development assistance. This matter will not be discussed further in this paper, but this should not be taken to downplay the importance of this activity. As part of this effort, Japan should work to reduce the trade promotion component of its program and the United States should reduce the "buy political allegiance" component of its program.

g. What Countries Should Receive Aid?

Wealthier developing nations receive more aid on a per capita basis than poorer nations, and aid to Africa is considerably greater per capita than aid to the poorer nations in Asia. A key development activity is to consider the appropriateness of today's aid distributions.

One may argue that such musings are worthless because political considerations of donor nations will determine what is done. Unquestionably, the motivations of donors respecting issues such as national security, historical linkages, aid as a substitute for the reduction of trade barriers, and a host of other nation-state concerns will continue to

play important roles in determining where aid monies go.<sup>17</sup> Nonetheless, it is valuable to speculate on where aid monies should go in the absence of such provincial concerns. The question is whether there are global considerations that should influence aid allocations? In an earlier work, this question was considered in some detail.<sup>18</sup> While a definitive case could not be made for any particular allocation criterion, it was concluded that the greatest share of aid monies should go to the least well-off segment of Third World countries, and that the size of a country's population should influence this share.

Regarding the latter point, standardization by population allows one to highlight cases of abnormally low and high aid levels. Per capita income is a determinant of what countries qualify for some types of official aid. While one can argue about the per capita income level at which countries should no longer be eligible for Official Development Assistance (ODA), there is, nevertheless, considerable appeal to the idea of establishing a graduation level: to the person who supports aid on humanitarian grounds, there is a level of affluence above which aid will not be warranted (with the exception of disasters); to the person who opposes foreign assistance on the grounds that it creates competitors and displaces workers in developed nations, the concern about aid is likely to increase as per capita income rises in the recipient nations.

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17 Considerable analytical work has been done on the determinants of aid allocations. For a recent imaginative effort, see Alfrad Maizels and Machiko K. Nissanke, "Motivations for Aid to Developing Countries," World Development, Vol. 12, no. 9 (1984) pp. 879-900.

18 Morss and Morss, The Future of Development Assistance, *op. cit.*, Chapter 5.

Large and serious pockets of poverty do exist in countries with high overall per capita income levels. Examples such as Brazil, Nigeria, and Thailand come immediately to mind. But one might legitimately ask whether it is the role of foreign assistance to deal with such internal inequalities. It should be remembered that Western nations have their own poverty concentrations to deal with.

Granted that a definitive case cannot be made for how aid should be distributed. However, inasmuch as most people would agree that there is a per capita income level above which a country should no longer be eligible for concessional financial assistance, two questions seem relevant:

1. What would the savings be if aid were cut off to countries that were already above the \$850 level in 1982?
2. What would the savings be if aid were cut off to countries which moved above the \$850 per capita income level during the 1982-2000 period?

The \$850 per capita income level is chosen because it closely approximates the level at which countries are disqualified from World Bank soft loans. Two simple assumptions underlie the projections to the year 2000. The first is that country per capita incomes will continue to grow at the same rate as in the 1972-1982 period. Of course, such an assumption cannot be defended: there is little justification to assume the growth rates of the last decade will continue. The second assumption is that the overall aid level will remain the same in real terms as it was in 1982. Clearly, the results presented below could be easily replicated using other growth and per capita income assumptions.

Table 1 - Allocation of ODA Commitments and Savings  
(\$ millions)

Region	1982 Total ODA	1982 ODA Saving	2000 ODA Saving
Africa South of Sahara	7333	1092	304
Middle East and Africa North of Sahara	4733	2751	1981
South Asia	4746	0	0
Far East Asia	2345	198	1625
Oceania	868	529	-134
Central America & The Caribbean	1882	1378	-303
South America	<u>1050</u>	<u>872</u>	<u>0</u>
TOTALS	22957	6820	3473

Source: OECD, 1984 Review and projections from Morss and Morss, The Future of Western Development Assistance, op. cit.

Summary answers to the questions are provided in Table 1. The first column presents total ODA by region in 1982. The second column indicates that in 1982, if aid to countries having per capita incomes in excess of \$850 were eliminated, there would have been an annual aid savings of \$6.8 billion.<sup>19</sup> The third column provides the answer to the second question. There would be an additional annual aid savings of \$3.5 billion if aid to all countries projected to move above the \$850 per capita level between 1982 and 2000 were terminated.

Detailed information on countries within these regions are presented in Tables 2 and 3. Table 2 indicates what countries with per capita incomes in excess of \$850 were receiving aid in 1982. One might argue whether aid

<sup>19</sup> Actually, the saving could be \$7.6 billion because \$802 million of official aid in 1982 went to Europe, a region with high per capita incomes that was omitted from this study.

should be withdrawn totally from the countries listed in Table 2. However, few would argue that significant reductions in aid to these countries should not be considered. The resulting savings could be used to reduce overall aid disbursements. Alternatively, they could be used to increase disbursements to countries with per capita incomes lower than \$850. At the extreme, if all the above-mentioned savings resulted in new disbursements to the poorer countries, their aid levels could be increased by \$10.2 billion, or 80 percent. There is a real question, given current development strategies and disbursement procedures, whether such a large increase would be effectively utilized.

Table 2 - Countries With Per Capita Incomes Greater Than \$850  
Receiving Official Development Assistance (ODA), 1982

	1982 ODA (mil.\$)		1982 ODA (mil.\$)
<u>Africa</u>	<u>1092</u>	<u>Central America</u>	<u>1378</u>
Reunion	400	Martinique	325
Nigeria	237	Jamaica	182
Zimbabwe	216	Guadeloupe	173
Ivory Coast	137	Dominican Rep.	141
Botswana	101	Mexico	140
Congo	93	Nicaragua	121
Gabon	62	Costa Rica	80
Swaziland	28	Neth. Antilles	65
Sechelles	18	Guatemala	64
		Panama	41
		Barbados	13
<u>Asia</u>	<u>198</u>	Belize	12
Malaysia	135	St. Lucia	8
South Korea	34	Trin. & Tobago	6
Singapore	20	Antigua	5
Hong Kong	8	Bahamas	2
Macao	1		
		<u>South America</u>	<u>872</u>
<u>Middle East</u>	<u>2752</u>	Brazil	208
Israel	857	Peru	188
Jordan	726	Suriname	102
Morocco	517	Colombia	97
Tunisia	211	Guiana	93
Algeria	139	Paraguay	85
Oman	138	Ecuador	53
Bahrain	83	Argentina	30
Saudi Arabia	57	Venezuela	12
Libya	12	Uruguay	4
Kuwait	6		
UAE	5		
<u>Oceania</u>	<u>529</u>		
Fr. Polynesia	173		
Pacific IIs.	162		
New Caledonia	159	GRAND	
Fiji	35	TOTAL	6821

Source: OECD, 1984 Review and projections from Morss and Morss, The Future of Western Development Assistance, op. cit.

#### h. The Graduation Problem

As indicated earlier, there are various political reasons why wealthier nations continue to be large aid recipients. The Reagan Administration has been particularly energetic in using aid to buy political allegiance. From a development standpoint, using aid in this manner can be counterproductive in that it creates disincentives for the development process to become self-sustaining. Tragically, there is growing evidence to support the reality of this dreary scenario. The most notable cases include Israel, Egypt, and Turkey, but many Central American and Caribbean nations are well along in the process of becoming dependencies.

The problem is particularly extreme in the Middle East. Egypt and Israel are receiving approximately \$2 and \$3 billion respectively in aid annually from the United States. The benefits resulting from these huge aid flows are not readily apparent; peace is no closer in the Middle East than prior to the initiation of large aid payments; countries that were almost self-sufficient prior to this largess are now experiencing serious inflation and balance of payments problems. If war breaks out, it has the potential of being extremely destructive because a considerable portion of the recent aid has been used to purchase military equipment that could not have been afforded without the assistance.

For many years, the Development Committee of the OECD has urged its members to set aside one percent of their incomes for development assistance. A new goal might be to reduce the percentage of aid going to wealthier nations from today's 30% to 10% over the next decade.

Beyond attempts to buy political allegiance, there is a legitimate reason why countries have not graduated from development assistance more

rapidly. Development is an evolutionary process - a continuum of progress, reversals, and new momentum. Cutting off aid means one opportunity to explore mutually beneficial exchange programs between developed nations and advanced developing countries is lost. For many years, technical assistance has played an extremely important role in establishing non-political links among nations of the world. As more countries "graduate" from eligibility for concessional assistance, Western nations should consider alternative organizational arrangements to maintain continuity in the development process and linkages with these nations.

Advanced developing countries are building corps of well-qualified technicians to carry out programs. In many instances, they have come up with better ideas for accomplishing development objectives than their Western advisers have recommended.

Hence, new relationships should be fundamentally different from those of the past. They should be based upon a philosophy of equality, mutual respect, and cooperation. It is probably inappropriate for them to be sponsored by Western bilateral donor agencies. A more suitable arrangement would be technical exchange programs between Western nations and advanced developing countries. These exchanges could take many forms: one might be modeled on the Fulbright Program of visiting scholars; another might promote reciprocal cultural events; yet another might sponsor scientific exchanges.<sup>20</sup>

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<sup>20</sup> The National Science Foundation's "Long and Medium-Term Research Visits for Scientists and Engineers at Foreign Centers of Excellence" Program offers another model for continuing country linkages.

It is in the interest of all nations that such exchanges take place. Inter-country communications should not be left to the diplomats, the news media, and tourists. Continuing the limited contact between developing countries and the West now provided by technical assistance and training provides some assurance that a solid base of mutual understanding and respect can be established and maintained.

i. Countries Remaining

Table 3 provides summary data on average per capita income and aid levels for countries projected to have incomes below \$850 in 2000.

Table 3 - Average Per Capita Incomes and Aid Levels for Countries Projected to Have Per Capita Incomes of Less Than \$850 in 2000

<u>Region</u>	<u>2000 GNP/P*</u>	<u>1982 ODA/P**</u>
Africa	252	15
Asia	523	2
Central America	517	26
South America	509	18

\* These averages are weighted by population size.

\*\* This ratio uses population projections for 2000.

The aid levels in Asia are strikingly lower than those in other regions, and it is reasonable to ask whether these disparities are justified. Table 4 provides detailed information on the countries left behind.

Table 4 - Countries Projected to Have Per Capita Incomes Under \$850 in 2000

<u>Region/Country</u>	<u>1982 ODA</u>	<u>Projected 2000 Population (in mill. \$)</u>	<u>1982 ODA/Population</u>
28 Sub-Saharan African Nations*	5937	392.1	15.14
<u>Asia</u>	<u>5741</u>	<u>2795.0</u>	<u>2.05</u>
Pacific IIs.*	62	.2	704.30
Papua New Guinea	311	4.5	69.11
Sri Lanka	416	20.1	20.70
Bangladesh	1346	147.0	9.16
Nepal	200	24.5	8.16
Burma	319	51.6	6.18
Pakistan	902	148.3	6.08
India	1550	1082.1	1.43
Bhutan	11	21.9	0.50
China	524	1295.0	0.40
<u>Central America</u>	<u>808</u>	<u>31.4</u>	<u>25.73</u>
Jamaica**	182	2.9	62.76
El Salvador	219	8.6	25.47
Honduras	158	7.2	21.94
Nicaragua**	121	5.7	21.23
Haiti	128	7.0	18.29
<u>South America</u>	<u>187</u>	<u>10.2</u>	<u>18.33</u>
Guyana	39	0.9	43.33
Bolivia	148	9.3	15.91
TOTAL	12673	3228.7	3.92

Source: OECD, 1984 Review and projections from Morss and Morss, The Future of Western Development Assistance, op. cit.

\* See Annex A for a breakdown of African nations.

\*\* GNP/P predicted to fall below \$850 between 1982 and 2000.

When I look at Tables 3 and 4, certain points come to mind regarding what emphasis future Western development programs should have. The following paragraphs set forth my thoughts on what should be done in Africa and Asia. Some will disagree with my views. That does not trouble me: experience suggests I am completely off base at least 50% of the time. But

there is a disturbing aspect to this: critics of development assistance rarely have an opportunity to discuss the pros and cons of present actions. In short, there are far too few forums and debate of what should be done outside of what donors and their service industry cohorts are already doing. Above all, Western development assistance needs a process that forces it to reflect on what it is doing and to make appropriate changes in course. Aside from superficial and non-systematic legislative harassment, this activity is almost totally lacking.

j. Asia

Should a larger share of official economic assistance go to Asian nations in the future, and if so, how should it be used? This is not an easy question to answer based on any of the standard quantitative or humanitarian measures development experts normally use to assess need.

In considering aid flows to China and India, it is relevant to ask whether size of country might serve as a partial criterion for aid allocations. Putting the question more directly, does the large size of both countries justify their relatively small aid allocations?

Assume aid is to be restricted to countries that are unable to obtain sufficient private capital to move them into the take-off stage. The research on direct foreign investment suggests that the large size of both countries' domestic markets should make them quite attractive to foreign investors. These studies indicate that the dominant reason for multinational corporations to invest in a developing country is to enter its market without having to pay various sorts of import duties. Recent analyses of multinationals have identified a second and growing reason for

their investment in developing countries: to take advantage of low-cost labor and to produce for export.<sup>21</sup>

For both reasons, i.e., "tariff-hopping" and produce for export, the multinationals should be interested in investing significant amounts in both India and China. Until recently, this has not happened, most likely because of restrictions against foreign private investment imposed by both countries. Nevertheless, the potential for significant private capital inflows exists in both countries. Indeed, there are few developing countries that look so promising for private investors as China and India. In these circumstances, it can be argued that the level of foreign aid monies going to these countries should not be increased until they make serious efforts to attract foreign private investment.

Neither China nor India has shown much interest in receiving the traditional forms of technical assistance offered by the West: In India, there is a large surplus of trained professionals; in China, there is growing evidence the country can learn from the West without importing large cadres of technical assistance personnel. And both countries appear to be able to attract substantial amounts of foreign private investments, if and when they want it. Admittedly, this will require policy changes to continue to attract and keep foreign investors, but the opportunity is at least there. If and when these changes come, China and India should rapidly become aid "graduates."

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21 For a review of this literature, see Sean Nolan, "Transnational Enterprises and Manufactured Exports from Industrialising Countries: Theoretical and Empirical Significance," Yale University Department of Economics Report (New Haven, 1983).

Regarding other Asian recipients of foreign aid, the concerns of Western donors should be different. Take Bangladesh, for instance, the country second only to Sri Lanka among Asian nations as a recipient of aid on a per capita basis. In aggregate terms, growth in this nation has been impressive, but many of the benefits have been neutralized, it appears, by rapid population growth. So while the country offers a large market for private foreign investors, and low-cost, semi-skilled and unskilled labor, until progress is made in curbing population growth rates, it is reasonable to question the point in increasing development assistance. Like Bangladesh, Pakistan has shown impressive economic advancement in recent years. The country is in the process of liberalizing its investment and trading restrictions and this, coupled with its large urban markets, should make it extremely attractive to private investors. But it too has failed to come to grips with a swelling population.

For different reasons, the other countries of Asia projected to remain poor do not offer much of an opportunity for Western foreign aid. Vietnam and Burma are currently following central planning, socialist strategies that have little in common with approaches promoted by Western nations. While it is probably true that both countries could attract considerable foreign capital, public and private, if restrictions were relaxed, it is not at all clear that this will happen in the immediate future. In the meantime, it probably makes sense to provide a small amount of foreign assistance to encourage discussions on public policies that favor less government control.

Other Asian nations, such as Afghanistan, are experiencing political turmoil that make it extremely difficult from the perspective of many

Western donors, to determine what a sensible assistance program might be. Cambodia and Laos have been so devastated by wars that humanitarian assistance deserves the highest priority for some time to come. And Sri Lanka is regrettably entering into a period of domestic strife that could bring to an end and even reverse much of the impressive social and economic development that has taken place there over the last two decades.

Still other nations in the region, such as Nepal and Bhutan, have formidable topographical challenges to development. In the case of Nepal, Western economics assistance has been quite generous relative to economic prospects. Bhutan has similar topographical problems; it also has followed an extremely centralized development strategy.

If any of these trends - mushrooming population, political strife or war, antipathy to the free market system - continue, it will be difficult for Western donors to devise sensible, sustainable development assistance programs attractive to their constituents and to the recipients. Furthermore, countries that are geographically disadvantaged in some sense offer economic challenges that will become increasing difficult to meet. In sum, it seems that the creation of sensible development strategies for all of these countries will take very sophisticated thinking and considerable risk. For the most part, Westerners are not currently qualified to provide this form of assistance. There is little question, however, that most of these countries would greatly benefit from initiating meaningful population control programs. Because of the large number of highly skilled people in this region, many of the other forms of needed technical assistance can and soon will be more cheaply provided by neighboring Asian countries.

k. Sub-Saharan Africa

People always start by saying one cannot generalize about sub-Saharan Africa (SSA) - and then they generalize. In fact, there are certain statements that are generalizable. For example, granting there is some validity to all the negative things that have been said about SSA government policies, it also is true that much of what has happened is attributable to worsening terms of trade and the fact that the world economy did not rebound from the second round of oil price increases in the same manner as it did from the first.

The following paragraphs offer my views on the long-term development prospects for sub-Saharan Africa and the role donors might play in support of these prospects. The immediate needs for debt rescheduling and other forms of required balance of payments support will be skipped as these issues are receiving adequate attention.<sup>22</sup>

Population Control

As a starting point, it is useful to define what can realistically be accomplished in sub-Saharan Africa over the next twenty-five years. A modest goal would be to raise living standards above the subsistence level so that droughts and other climatic changes can be met without massive amounts of foreign assistance. With this as the major objective, there can be little question that top priority should be given to reducing the population growth rate, a rate that is accelerating. Efforts to reduce population growth will not make an appreciable difference in terms of

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<sup>22</sup> World Bank, Financing Adjustment with Growth in Sub-Saharan Africa, 1986-90 (Washington, D.C., 1986).

pressures on the land and employment needs over the next fifteen years. But beyond then, there is no action that will yield as high a return in social and economic development.<sup>23</sup> This is a strong statement, in light of the debate concerning the relationship between economic development and population growth.<sup>24</sup> However, the argument supporting an accelerated population growth rate presumes near full employment, and it is unimaginable that even its strongest supporters would argue anything approaching full employment exists in SSA today.

During the 1965-1973 period, the population growth rate for in SSA averaged 2.6 percent annually; that grew to 2.9 percent per annum between 1973-1983. The World Bank now estimates this rate will increase to 3.2 percent in the 1980-2000 period.<sup>25</sup> At this level the population will increase from 398 million in 1983 to 675 million in 2000. A country with a 3.2 percent population growth rate will double every twenty-two years while one with a 2.0 percent growth rate takes thirty-five years to double. In sub-Saharan Africa only Mauritius is projected to have a population growth rate of less than 2 percent over the 1980-2000 period.

The evidence suggests that without a major initiative to reduce population growth rates, sub-Saharan Africa will inevitably become more dependent on outside assistance for survival. Donors recently agreed to make the provision of aid conditional on economic policy reforms: the

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23 S. Enke, "The Economics of Government Payments to Limit Population," Economic Development and Cultural Change, Vol. 8, no. 4 (July 1960), pp. 339-348.

24 For a summary of the debate, see Benjamin Higgins, Economic Development (New York: W.W. Norton, 1968), Chapter 29.

25 Ibid., Table 25, p. 92.

reduction of government size and deficit, increasing producer prices paid farmers, and the adoption of more realistic exchange rates and other policies to promote private sector activities. Given the pressing need to reduce population growth rates and the acceptance of using leverage to affect policy reforms, the provision of additional development assistance to sub-Saharan Africa should also be conditional upon the adoption of vigorous, noncoercive population control programs.

It is often claimed that population control involves sensitive national political and cultural values, and that donors should not push too hard on these issues. Conditionality requirements involving population issues pressed by donors should have no greater political impact than past stabilization programs required by the International Monetary Fund have had. The latter programs often resulted in widespread unemployment and poverty that generated serious political upheavals, yet they were supported by donors and recipients alike.<sup>26</sup> Population control efforts are now more important than further economic policy reforms. If population growth is not slowed, the benefits from the amounts of foreign aid likely to be forthcoming will be more than neutralized.

#### Widening Disparities Can Be Expected

It is virtually certain that the differentials between quality of life in SSA and all other developing country groupings will continue to widen in the future. Sub-Saharan Africa is too far behind in such things as infrastructure, human resource development (including entrepreneurial as

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<sup>26</sup> For example, see Joan M. Nelson, "The Political Economy of Stabilization: Commitment, Capacity, and Public Response," World Development, Vol. 12, no. 10 (October 1984), pp. 983-1006.

well as technological capacities), and institutional structures to imagine any other outcome. Even when some progress is made in these areas, other nations of the world will be progressing as well.

Further, it is unlikely these countries will have an absolute advantage in any significant industry for the foreseeable future; costs are too high relative to productive and marketing capacities. Consider some examples. Relative to per capita income, government workers get paid more than twice as much in SSA as in Asia; the expenses of higher education are eight times what they are in Asia and twice what they are in Latin America; and the costs of agricultural researchers are double the costs in Asia.<sup>27</sup> While devaluations could reduce these cost differentials, sufficient devaluations are unlikely.

#### Rethinking the Agriculture/Rural Development Focus

For more than a decade donors have focused development assistance on agriculture in rural areas. For several reasons, the theory and practice of this strategy needs to be reviewed. A major reason for this policy was to stem the flow of migrants to cities.<sup>28</sup> This did not happen: metropolitan areas grew at the same annual rate of 6.1 percent between 1973-1983 as they did in the 1965-1973 period. Moreover, migrant laborers are not the major source of African urban expansion inasmuch as they have only contributed 40 percent of the urban growth.<sup>29</sup> Indeed, the very opposite is more likely the

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27 World Bank, Financing Adjustment and Growth, pp. 21, 30, 31.

28 For a recent review of some of the issues involved, see Michael P. Todaro, "Internal Migration and Urban Employment: Comment," and William E. Cole and Richard D. Saunders, "Reply," American Economic Review, Vol. 76, no. 3 (June 1986), pp. 566-572.

29 Richard E. Rhoda, "Development Activities and Rural-Urban Migration: Is It Possible to Keep Them Down on the Farm?" U.S. Agency for International Development, Office of Urban Development Paper (Washington, D.C., 1979).

case: effective rural development will improve the linkages between urban and rural areas, thereby making urban migration easier. A recent survey of development assistance concluded:

In almost all cases, development activities in rural areas cannot be justified on the grounds that they slow rural-urban migrations...It appears that making changes in urban areas is the most promising approach to influencing rural-urban migrations.<sup>30</sup>

The justification for a rural-focused policy was based in part on a belief that SSA could maintain its share in international agricultural markets and use the proceeds to finance national development. This did not happen. Agricultural production is cheaper in many other countries; and because of massive world food and other raw material surpluses, per unit prices are likely to continue to fall. As one expert has pointed out:

If all SSA economies were to raise coffee, tea, cocoa, tobacco and cotton exports 5 to 8% a year, the price elasticities and their combined share of world trade in these products are such that they would earn less, not more foreign exchange. Africa is not, in general, a low labour cost area; very few countries can mount labour-intensive, export zone type programmes with any prospect of success.<sup>31</sup>

Current research suggests that sub-Saharan African nations can not easily regain past export markets. It therefore seems sensible that no investments, and this includes agricultural research initiatives, should be made that are based on developing or regaining export markets until thorough marketing studies have been done. These studies should not be based on the

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30 Ibid.

31 Reginald H. Green with Mike Faber, "Why Have Sub-Saharan Africa's Economies Fared So Badly in the Recession?" (Sussex: Institute of Development Studies, The University of Sussex, March 1984).

present situation, as is so often the case, but should attempt to anticipate what is happening globally, i.e., what new countries are entering commodity export markets and what will be the reaction of current exporters to a resurgence of exports from sub-Saharan Africa.

If the portfolios of donor-sponsored projects were reviewed, it is probable that at least 30 percent of their investments are based on the assumption that exports markets would absorb increased production, resulting in a net foreign exchange gain. Marketing studies of the sort proposed above would probably show that this assumption was rarely valid. Such studies are needed: the result might lead to a freeing-up of substantial foreign and indigenous resources for other purposes.

#### Food Self-Sufficiency

Food self-sufficiency is another matter. No nation, particularly those with as little purchasing power as many sub-Saharan African countries have, wants to rely on imports for its food supply.<sup>32</sup> Given the opportunity costs of foreign exchange, considerable worldwide unemployment, and the absence of other prospects, food self-sufficiency is a worthy goal for most SSA countries to pursue. And it is possible that the purchasing power so generated would be used to revitalize rural areas and provide capital for the modern economy.<sup>33</sup>

In pursuit of this goal, a primary responsibility of donors should be to monitor food aid distributions to insure they do not interfere with the

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<sup>32</sup> But is it appropriate for every area, including the South Pole, to move to agricultural self-sufficiency?

<sup>33</sup> See John W. Mellor, "Agriculture on the Road to Industrialization," Reprint from John P. Lewis and Valeria Kallab, (eds.), Development Strategies Reconsidered (Washington, D.C.: Overseas Development Council, 1986), chapter 2.

incentives to produce locally. The incentive structures that operate in international agriculture trade are interesting and deserve continued study; here, it should be remembered that the large private voluntary organizations are paid well for shipping and distributing food aid. It can be expected that they, like the agribusinesses providing food aid, will resist efforts to cut back on food shipments.<sup>34</sup>

Another responsibility of donors should be to identify the major bottlenecks to increasing food production for domestic consumption. These will differ from one setting to another, but experienced development personnel can anticipate needs for various types of infrastructure investments and applied research. Donors should be prepared to support these activities, provided they can be justified solely on the basis of increasing food self-sufficiency.

#### A New Urban Focus

The development focus on rural areas in Africa has not slowed the rate of urban migration. African cities continue to grow, and the need for urban planning and infrastructure investments is becoming increasingly apparent. In the absence of obvious prospects for improving rural employment, attracting people to urban areas would at least have the advantage of making it simpler and cheaper to provide basic amenities.

But more positive arguments for an urban development focus can be made. It appears that the rate of education of people living in urban areas is

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<sup>34</sup> For some troubling evidence on the behavior of private voluntary agencies, see Barbara Harrell-Bond, Imposing Aid (London: Oxford University Press, 1986). Harrell-Bond's work raises serious questions about the appropriate role for these groups and whether their relative freedom from review and supervision should be continued.

more rapid than that of people living in rural areas, and family size preferences decrease. As has been argued above, the major attraction to foreign investors of a country is size of market and associated marketing and distribution costs. At this point, cities in sub-Saharan Africa are not large enough to attract significant amounts of foreign investment. But they will be soon, and they will be far more attractive targets to foreign investors if they are well-planned and the appropriate infrastructure investments have been made.

It is not being argued here that donors should support urbanization in all countries of SSA. However, consideration should be given to creating four or five major urban agglomerations that would serve as centers of major industrial activity and transport nodes for the entire African continent. This is not a new concept. About twenty years ago urban planners proposed that secondary urban areas would generate their own development dynamic once they attained a certain size, provided other conditions were met.<sup>35</sup> In fact, the concept was probably right, but the wrong cities were chosen. Urban planners were unable to find acceptable ways to induce urban growth in secondary urban centers, but established urban areas in Latin America and Asia grew and became the centers of industrial development, much as they did earlier in Western nations. Based on urban growth patterns in other developing countries and the deterioration of the traditional agricultural economic base, it would seem appropriate to thoroughly analyze the social

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35 For a review of this thinking, see Lloyd Rodwin, "Regional Planning in Less Developed Countries: A Retrospective View of the Literature and Experience," International Regional Science Review, Vol. 3, no. 2 (1978); see also J. Friedmann and C. Weaver, Territory and Function: The Evolution of Regional Planning (London: Edward Arnold, 1979).

and economic costs and benefits of supporting urban development in sub-Saharan Africa.

### Institutional Development

One of the clearest lessons coming out of the last fifteen years of development assistance to sub-Saharan Africa is that the institutional infrastructure does not function with reasonable effectiveness in the world economy. Institutional infrastructure in this context means human capital and sensible processes or ways of doing things that incorporate national value systems. Compared to Asia and Latin America, countries in sub-Saharan Africa have a shortage of skilled manpower. This includes entrepreneurs, managers, engineers, economists, and the other technicians needed to run complex economies with a reasonable degree of efficiency in the twentieth century. They also have not had institutions strong enough to resist the onslaught of large numbers of donors. The result has been that the donors rather than the governments of SSA countries have determined development policies.

Donors now recognize what happened and have begun to coordinate their activities. Joint donor-host country meetings have been held to set common goals, eliminate project redundancies and inconsistencies, and work for the adoption of policies to attain the agreed-upon goals. The problem with this approach is that foreign aid donors are independent institutions with their own agendas and most importantly their own institutional survival to worry about. And until recently, they have been project generation machines.

Donors are now becoming structural adjustment loan/policy reform machines. From a coordination standpoint, this is a hopeful sign, because

there seems to be a broad consensus on what policy reforms are needed. History suggests one should start worrying when there is such broad consensus among donors. In this case, there is particular reason for concern: I strongly believe the simple-minded policy prescriptions of the Reagan years for developing countries should be almost completely discarded.

1. The Need for a Change in Donor Attitudes

Is it a desirable state of affairs for SSA countries to be effectively controlled by donor agencies whose past development performance has been far from distinguished? It is somewhat ironic that a major player in the development game, the World Bank, would articulate as well as any group could what the long-term development philosophy of SSA governments should be:

...governments in Africa must be seen to have the prime responsibility for designing their adjustment and investment programs and for coordinating aid and other financial flows. Donors can assist in the activity—but they should not undermine this responsibility by trying to negotiate their own favorite package of policy reforms or by promoting their own pet projects. To this end, the African countries must strengthen their core ministries....<sup>36</sup>

This is extremely unlikely to happen. The Bank has shown little interest in fostering the sort of activities needed to attain these goals. In fact, as a former senior Bank official has noted:

The analyses lying behind these [the Bank's economic] reports is almost always undertaken at Bank headquarters in Washington. Few prior understandings are made with a government on what the major policy issues for study should be, and little, if any, attempt is made to internalize the analysis within government by undertaking the analysis as a joint responsibility.<sup>37</sup>

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36 World Bank, Financing Adjustment with Growth, *op. cit.* p. 45.

37 Stanley Please, The Hobbled Giant: Essays on the World Bank (Boulder: Westview Press, 1984), p. 98..

There is a need for a change in attitude as well as process. The former Bank official continues:

The accusations that the Bank is arrogant; lacks humility; is insufficiently respectful of a country's political leadership; fails to recognize variations in behavior patterns in different regions and countries of the world, is a technocracy out of control; and other criticisms are too widespread to be ignored.<sup>38</sup>

Of course, more is involved here than the attitude and behavior of one donor. In recent years, there appears to have been a polarization of viewpoints:

...there have tended to be dialogues of the deaf and an excessive concentration on specific themes wrenched out of the overall economic context. This process has polarized positions, and, in doing so, has reduced both the growth of factual knowledge and the ability to devise operational programmes.... The picture is a good deal more complex than the hard-line advocates and opponents of particular strategies and policies appear to assume.<sup>39</sup>

The above position would appear to be correct when it comes to economic policies. In contrast, the question of the need for population control in sub-Saharan Africa is simple and obvious. Making aid conditional upon the adoption of aggressive population control programs need not be presented in an irritating fashion. It can and should be presented on a take-it or leave-it basis. The only area requiring discussion will be on how to define an aggressive, noncoercive population control program.

A major point of this paper is to illustrate the complexity of economic issues and the continuing inability to formulate the "right" policies. In

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38 Ibid., p. 99.

39 Green with Faber, op. cit., p. 1.

such circumstances, the following prescription would appear most appropriate:

Because the situation in most SSA economies is very serious, because past results suggest serious errors in donor and recipient policies and analysis, because the present context requires policy changes and because specific programmes must relate to actual national contexts (not generalizations intended to apply to 30 countries), and because difficult policies require genuine national understanding and backing if they are to work - dialogue is critical. But it needs to be clear that what is intended really is dialogue, in which donors acknowledge that they too need to learn more in order to formulate sensible programmes for their own actions.<sup>40</sup>

The question then is how to make this dialogue effective.

m. Creating Policy Making Capacity in SSA Governments

As a result of the relationships between donors and SSA leaders, and given the time pressures under which national leaders operate, there is little prospect of increasing the capacity of the existing leader cadre of SSA governments to make more effective policy decisions. And yet, it has been noted:

Effective...programmes require that the governments concerned view them as "their own". Imposed programmes are of dubious productivity.<sup>41</sup>

A number of nations in sub-Saharan Africa are presently unable to play this role. They could be assisted in obtaining outside advisers to allow them to play this role. But if such assistance is to work, the national leaders must be assured that the advisers are working for them and have a

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40 Ibid., p. 14.

41 Gerald K. Helleiner, Statement prepared for the Subcommittee on Africa, Committee on Foreign Affairs, U.S. House of Representatives, Washington, D.C., February 23, 1984.

professional allegiance to the best interests of their countries. There are, on the other hand, a number of SSA countries that will not want to assume such a leadership role. It is easier to respond to donors' demands than establish one's own lists of priorities. Besides, it is convenient to have donors to blame for unpopular policy measures. The real hope for both types of countries is their next generation. For those who assume professional posts, sound technical training will be adequate; those who aspire to be leaders will require more. In addition to analytic training, they need a philosophic perspective that provides them with a global policy orientation. It is in the interest of Western nations for their institutions of higher learning to play at least a partial role in the formulation of the philosophic perspective.

Part of this training should focus on the international economic situation and in particular, the international organizations that these leaders will have to work with. The training should allow them to see the strengths and weaknesses of the donor organizations so that each side enters the bargaining process better informed. Developing countries will bargain with donors on a variety of matters for the foreseeable future. A better understanding of the primary aims of the donors, their strengths and shortcomings, and the restrictions under which they operate could facilitate the bargaining so that all involved are made better off.

Providing funds for such training should be primarily a bilateral donor responsibility. Whereas they might engage in an active competition to attract students, the multilateral agencies would find it politically difficult to select institutions for funding from among its member countries.

n. Streamlining Donor Assistance

The charter and management of many donor organizations need to be reviewed and overhauled. There are several reasons for this. The tremendous proliferation of donor organizations in recent years has created overlaps and unnecessary jurisdictional squabbles. Some organizations have lost their sense of mission and put most of their energy into non-productive bureaucratic interactions. Others have allowed their staffs and/or consultancies to grow far beyond what their program funds would suggest is reasonable. Still others have expanded and scattered their programs in an attempt to fund projects representing every new development idea.

These organizations should be accountable to someone for their performance, but aside from the legislative and executive oversight of Western bilateral programs, it does not appear that any sort of meaningful review process is in place that allows any sort of organizational assessments.

In the case of the U.S. bilateral assistance program, Congressional oversight has contributed to what is a severe overstaffing program. It works as follows: Congress distrusts the White House on how it intends to use aid monies; industry lobbyists lean on Congress to earmark aid monies for certain industry groups. As a result, Congress writes increasingly (and absurdly) restrictive aid legislation. The White House tells the Agency for International Development (AID) to use its funds to buy political allegiance; Congress insists on a continuing stream of paperwork showing that AID is spending its money in accordance with the aid legislation. AID's staff is caught in the middle and spends much of its time and energy

writing misleading and false reports on what it is doing. All this writing takes time and manpower and it has contributed to the excessive staff buildup. Needless to say, generating this large volume of misleading paperwork has lead to extremely serious morale problems within the Agency.

In the United States, the responsibility for reviewing and determining the U.S. contribution to other donor agencies involves AID, the State Department, and the Treasury. From what I can tell, there is no meaningful assessment of how effectively donor organizations are fulfilling their tasks. It appears that political considerations and lobbying efforts are the only factors that change the shares of U.S monies going to the non-AID donors. This is not as it should be. During my twenty years in the development business, I have seen relatively effective donor organizations and others that are so inefficient to warrant immediate closing and/or complete overhaul.

#### Concluding Comments

The activities outlined above constitute an important part of the development task. Effecting the needed changes will be a formidable undertaking, but this is the time to try it. A new American President will soon be inaugurated, and there is widespread agreement (at least in the United States) that major reforms are needed in the foreign aid program if it is to survive.

ANNEX

Sub-Saharan African Countries Projected to Have  
Per Capita Incomes Less Than \$850 in 2000

<u>Country</u>	1982 ODA (in mill. \$)	Projected 2000 Population (in mill. \$)	1982 ODA/ Population
Chad	65	6.64	9.79
Ethiopia	200	47.03	4.25
Guinea-Bissau	68	1.75	38.86
Mali	195	11.44	17.05
Zaire	348	52.25	6.66
Malawi	121	10.98	11.02
Burkina Faso	213	9.27	22.98
Uganda	133	21.73	6.12
Rwanda	151	10.09	14.97
Burundi	127	5.44	19.72
Tanzania	695	36.07	19.27
Somalia	462	7.43	62.18
Benin	80	5.96	13.42
Central African Rep.	90	3.50	25.71
Guinea	65	7.21	9.02
Niger	252	10.55	23.89
Madagascar	243	14.65	16.59
Comoros	40	0.53	75.47
Togo	77	4.37	17.62
Cape Verde	55	0.51	107.84
Ghana	141	20.72	6.81
Kenya	485	36.71	13.21
Sierra Leone	82	4.56	17.98
Sudan	740	35.56	20.81
Mauritania	179	2.41	74.27
Liberia	109	3.73	29.22
Senegal	280	9.74	28.75
<u>Zambia</u>	<u>241</u>	<u>10.48</u>	<u>23.00</u>
TOTAL	5937	392.31	15.13