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**A Review of
"Report of the Working Group on Assessment,
Management & Policy"**

**by
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Report of the Working Group on Assessment, Management & Policy

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OVERVIEW

This paper focuses on the development of AID programs since 1950. The first program was the Point IV program which consisted of two parts, the transfer of technology and the assistance to private sector investment through the Eximbank. Today, the program is seen as a "sincere but misguided attempt." The paper then discusses the dichotomous views on foreign aid since 1952. One view sees assistance as an "effort to achieve long-term economic and humanitarian objectives." The other view focuses on "short-term political and security concerns." There seems to be a cyclical shift from one view to another even today. The paper examines successful programs conducted under each view.

HIGHLIGHTS

Topic #1: There is a need for greater flexibility in development programs.

Issue: -The appropriateness of activities depends on geographic region and existing socio-economic structures.

Recommendation: -U.S. specialists need to work closely with foreign counterparts so that the program is structured keeping in mind culture, ideology and priorities of LDCs. Imposing U.S. standards and methods on LDCs is often unsuccessful.

Issue: -USAID has little comparative advantage in policy formulation. A new mechanism is needed.

Recommendations: -Create a policy-oriented institute similar to the proposed Institute for Scientific and Technological Cooperation to guide assistance efforts.
-Let multilateral agencies assume leading roles relative to the involved national governments.
-Collaborate through multinationals.

Issue: -Previous Basin Development Programs have been unsuccessful.

Recommendation: Base decisions to fund agriculturally oriented programs on environmental criteria, not political considerations.

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SUMMARY OF THE WORKING GROUP ON ASSESSMENT, MANAGEMENT, AND POLICY

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Background and Orientation

United States efforts to systematically aid developing countries date from the Act for International Development of 1950. The act was first proposed as the fourth point of President Harry S. Truman's inaugural address of January 20, 1949. In this address, President Truman proposed ". . . a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas." As envisaged, the program was to consist of two parts. The first was a technical assistance program which would help transfer modern techniques and know-how to less-developed areas. In Truman's words: "The United States is preeminent among nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible." The second part of the program authorized the Export-Import Bank to issue guarantees to private investments in developing countries against certain risks peculiar to foreign investment.

The Point IV program, as it came to be known, marks an important transition from earlier United States efforts in development assistance. These earlier efforts had been sporadic, and had focussed largely upon gaining political support, providing relief for exceptional disasters in specific countries, or assisting in post-World War II reconstruction.

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With the exceptions of aid to East Asia and Latin America, aid had not focussed upon development as an issue. The Point IV program was thus the United States' first attempt to address the root causes of "underdevelopment" on a long-term basis.

Today's conventional wisdom is that the Point IV program was a sincere, but misguided, attempt by the United States to extend the successes of the Marshall Plan to the developing world. The belief in the 1950s was that underdevelopment stemmed from a lack of infrastructure which made private investment unprofitable. It was believed that the transfer of large amounts of financial capital to developing areas would facilitate the implementation of infrastructure projects. This, in turn, would establish the proper climate for private investment in the industrial sector. Since the Marshall Plan had resulted in dramatic improvement in the gross national product of European countries, it was believed that a similar program would succeed in other regions as well.

Since 1952, the term "foreign aid" has encompassed two areas with distinct policy implications: one viewing assistance primarily as an effort to achieve long-term economic and humanitarian objectives; the other focusing upon short-term political and security concerns. Each policy area has gained its own constituency. Because each policy reflects a different set of assumptions and priorities, these two constituencies have competed against each other in their attempts to shape foreign policy. They have also had to compete with others who oppose the concept of foreign aid altogether.

In the absence of clearly delineated policy directions, foreign assistance has historically gravitated from humanitarian concern toward self-interest. In the 1950s, for example, foreign assistance initially focussed upon the transfer of technical knowledge to developing countries through a large number of small pilot projects. Gradually, programs began to involve larger commitments of assistance to an increasingly smaller number of strategically important countries, such as Iran. This trend toward increased emphasis upon short-term political and security concerns continued until the Kennedy administration's Alliance for Progress reestablished longer-term development goals. The cyclical shift from humanitarian concern toward self-interest has persisted to the present.

Discussion

Both of the basic foreign-assistance policy emphases were well represented in the working group, and the discussion of the group reflected the fact that the history of United States development assistance is a tangled, and often contradictory history, variously driven by altruism and self-interest, as well as by paternalism and a growing sensitivity to issues of cultural integrity, economic mutualism, and environmental quality. Current interest in sustainable development reflects concern for the widespread failure of earlier development strategies; dissatisfaction with the use of economic correlates in determining quality of life; and movement toward a better informed, science-based approach to the problems of the Third World.

The working group attached particular importance to the linkages among science, technology, and economics, as well as to greater sensitivity to cultural and environmental context. It was stressed that different countries and regions have differing needs, capacities, and comparative advantages. From the point-of-view of donor organizations, this necessitates greater flexibility in the design of development assistance: Some programs and projects require long-term continuity; others can simply be catalytic in nature. Some existing socio-economic structures are receptive to conventional development activities; others are not. In some countries, external funding for certain types of undertakings is essential; in others, for the same type of activity, such funding might be unimportant or even detrimental.

Examples of flexible, more culturally sensitive programs were drawn from the People's Republic of China and India. In the Chinese example, the National Center for Industrial Science and Technology Management Development in Dalian, Liaoning Province, management specialists from the United States worked together with Chinese counterparts to develop a system of management which was compatible with Chinese culture, ideology, and priorities. Unlike similar ventures, in which Japanese and German experts attempted to impose Japanese and German systems of management, this program has been well received and highly successful. In addition to the practical benefits of the Dalian program, the program has generated goodwill and a basis for future collaboration. In India, USAID supported a state level technology development effort based in Bangalore, Karnataka. The USAID officer responsible for the project was trained in

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community development, and knew relatively little about private enterprise or technology. Nevertheless, he spent a year calling small meetings, drawing in experts from the United States as appropriate, and generally nurturing the initiative. By the end of the year, Indian scientists and administrators had assumed responsibility for the initiative, and had adapted it to their needs.

The success of these efforts underscores the importance of transmitting change through existing socio-economic structures, rather than attempting to transform or Westernize those structures. Against this background, the discussions regarding the very low level of United States support for technology management assume new meaning. It would appear that the level of support is less important than the compatibility of the support provided with social, economic, political, and environmental structures and processes.

The group felt that, in many instances, USAID had little comparative advantage in the area of policy formulation. The character of the agency lends itself better to the development of constructive working relationships than to involvement in direct policy dialogue. The group felt that a new mechanism for foreign assistance policy was needed. Particular importance was attached to the creation of a policy-oriented institute to guide assistance efforts, such as the Carter administration's unsuccessfully proposed Institute for Scientific and Technological Cooperation (ISTC). It was noted that as science moves toward technology, nationalism asserts itself and new, often unfamiliar, policy issues arise. This is reflected, for example, in concern for intellectual property rights.

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It was noted that, in many instances, effective programs require efforts encompassing more than one economic sector. In such instances, bilateral assistance is often viewed as internal interference. It was also noted that the controversial nature of certain efforts, such as the Narmada Basin Development Programme in India, render policy dialogue on a bilateral basis politically awkward. It is appropriate that multilateral agencies, rather than bilateral agencies such as USAID, assume leading rôles relative to the involved national governments. This implies that United States foreign-assistance policy should perhaps be more sensitive to low-risk options afforded through collaboration with multinationals in an increasingly interdependent world.

The discussion of the Narmada Basin Development Programme also underscored the importance of science to policy formulation. Historically, river-basin projects have been plagued by poorly informed political decisions based upon hopeful economics. Assessments of water quality, soil types, proposed management systems, and projected cropping patterns, indicate that the Narmada program will yield few long-term benefits, will result in widespread environmental degradation, and will adversely affect the human populations of the Narmada basin. The early application of rigorous scientific analysis to the development of the basin could have generated a broader range sustainable options for decision makers. A sound understanding of environmental process is basic to successful development planning. It is essential that policy be reconciled with environmental process, rather than being more narrowly formulated on the basis of political considerations or incomplete economic analysis.

Finally, the working group explored issues regarding the commercialization of technology, practical and philosophical aspects of cost sharing, debt swaps, and the general need to innovatively reassess our thinking regarding the financial aspects of international development. USAID's flexibility in these areas is constrained by restrictions contained in foreign-assistance legislation. The need to creatively reassess international development in a rapidly changing world argues further for the creation of an ISTC-like institution.