

negotiations with the Third World, this new attitude means that it may be possible for the two sides to accomplish something more than agreeing to discuss the matter further. The outcome of the Common Fund talks augurs well for UNCTAD V in Manila, although it represents a lowering of the Group of 77's expectations as well as flexibility on the part of the US.

As for France, it can take pride that its proposal came to serve as the North's final negotiating platform. The \$400 million in national contributions to the first window is exactly halfway between the French \$200 million figure and the LDC demand of \$600 million pressed at the final round of negotiations.<sup>21</sup> The second window will see the light of day as well, and will be financed by voluntary contributions, as France had suggested. In this instance, Gallic dissent appears to have paid off, enhancing French credibility on both sides. Perhaps now France could devise a voting system weighted in the LDCs' favor without seeming so. . . .?

That might prove too great a task, even for the adroit French. Nonetheless, we might expect them to arrive in Manila with a fresh viewpoint on some North-South bone of contention — which will, once more, prove particularly Galling for the United States.

21. *Journal of Commerce*, March 16, 1979.

## US Foreign Assistance Strategy Reconsidered

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For more than a decade, scholars and practitioners of foreign assistance programs have been debating alleged economic and socio-cultural ill-effects arising from concessional aid. The attention of American academics and policy-makers was initially directed to these "fallacies" of foreign aid by such radical authors as Paul Baran, Andre Gunder Frank, Raul Prebisch, and Harry Magdoff.<sup>1</sup> The collective thesis propounded by these individuals was that American foreign-assistance programs were characterized by three elements:

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1. See for example, Paul A. Baran, *The Political Economy of Growth* (New York: Monthly Review Press, 1957), and K. T. Fann and Donald C. Hodges, eds., *Readings in U.S. Imperialism* (Boston: Porter Sargent, 1971).

1. The tendency to tie more closely the recipient country's trade patterns and investment flows to the United States, relegating the economies of these countries to the status of colonies;

2. Reliance upon conventional distribution channels within the recipient country, expecting resources to "trickle down" to depressed areas in the rural countryside;

3. The tendency to impose upon societies American methods and techniques that are at the very least inappropriate and in some instances actually destructive of the recipient country's social fabric.

In 1973, the US Congress took cognizance of some of these issues by amending the Foreign Assistance Act of 1961.<sup>2</sup> The Agency for International Development (AID) was instructed to revise the manner in which funds are programmed for development purposes, and several key aspects of AID's procedures were changed as a result. Programming was switched from a sector orientation to a focus on "target groups" of beneficiaries. In practical terms, this moved AID from projects involving country-budget support, large-scale commodity loans, and heavy infrastructure such as dam and highway construction to activities emphasizing social-service delivery, human-resource development, and small-scale labor-intensive rural infrastructure. Instead of viewing development problems in terms of constraints on increased productivity in a certain economic sector, projects became interventions intended to impact on specific groups which, by virtue of certain economic, social, or cultural constraints, could not raise their standard of living without aid. These groups were thought to reside primarily in the rural areas and to be engaged in agriculture or agriculture-related occupations. Furthermore, AID began attempting to reach the poorest of the poor in rural areas and thus reduce income disparities between rich and poor. Project goal statements began to emphasize the need to raise rural incomes of the poorest groups — what has come to be called the "basic human needs" approach.

In many respects, the Agency's reorientation represents a certain maturation of outlook by recognizing that the true recipients of foreign concessional assistance should be people rather than governments, universities, or other elite-dominated institutions in the capital cities of LDCs. On the other hand, it appears the Agency has underestimated its own institutional limitations, particularly in its allocation of funds and recruitment of personnel expertise required to implement a basic human needs approach. AID planners also have miscalculated the capability of both host governments and project beneficiaries to execute a development program of this type.

Presently, AID is engaged in an important planning exercise designed to

2. See Section 102 to 106 of the *Foreign Assistance Act of 1961*, as amended.

estimate the amount of resources required for development assistance programs through 1985. In doing so, Agency planners and analysts are rethinking the US approach to basic human needs assistance. In this writer's view, the Agency's experience with the 1973 Congressional Mandate suggests several lessons about foreign assistance policy and planning.

*LESSON 1: AID does not know who the rural poor are and therefore cannot be certain of designing projects which will reach target groups who are the intended project beneficiaries.*

Very few Development Assistance Programs (DAPs) contain overall socio-economic and socio-cultural profiles of the countries they discuss.<sup>3</sup> Most if not all DAPs have descriptions of various ethnic groups and indigenous economic practices, though these are often useless for purposes of project design since they involve aggregate data from secondary sources averaged out over large numbers of occupational and cultural subgroups. What is required is some form of "social mapping" of patterns of communication, technology dissemination, earnings, expenditures, physical mobility, relative deprivation, and responses to new economic stimuli among various subgroups and regions.

One of the obstacles to this type of analysis is the difficulty of obtaining reliable data. In most LDCs, research in rural areas is difficult or dangerous. Some countries do not countenance foreign consultants roaming the countryside delving into what makes their economically (and politically) dormant rural populations "tick."

However, AID does possess a wealth of data, as yet untapped, from which to extract much of the information required. The source of that data is AID's own project implementation experiences, and the means to extract it is by project evaluation. The evaluation process is intended to be a critique of project activities based on *a priori* goals and expectations. Projects are, after all, hypotheses on paper. During implementation, project officers collect relevant data on technical performance, productivity changes and human behavior patterns. The evaluation uses this information to determine if, in fact, the hypothesis was correct. Unfortunately, the Agency tends to downplay the evaluative function during project implementation, never fully exploiting this important source of information.

The difficulty with doing thorough evaluations arises from both time and funding constraints. Generally, a project officer does not have the time to evaluate his own project without assistance from elsewhere in the Agency. However, from the point of view of the project officer, an outside evaluator

3. Until this year, the DAP was the basic statement of development assistance strategy being followed by the USAID Mission in a specific country. However, the document will be replaced in 1979 by a five-year country development strategy statement (CDSS). The CDSS will be a "rolling" document in that it will be updated yearly in each country.

may not have the ability to give a totally fair assessment of the project because of the evaluator's lack of technical expertise and familiarity with the project environment. Thus a basic distrust tends to cloud the relationship between the project officer and the evaluation officer at the outset. From the evaluator's perspective, the project he is assigned to evaluate is usually only one of many for which he is responsible; thus he cannot take the time necessary to become familiar with each and every project detail.

The problem of inadequate expertise or time can be partially met by contracting private firms with technical competence in the project area to make the evaluation. However, utilizing consultant assistance to do a proper impact evaluation on every project would be tremendously expensive. Moreover, impact evaluations on some projects — such as rural road networks, rural electrification, rural government development, etc. — may not be meaningful for five to ten years after concessional assistance has been terminated. By then, however, reduced interest as well as tight discretionary budgets have diminished the opportunities to do these needed evaluations.

In sum, collection of data is complex and time-consuming, and is hindered by the Agency's need to justify and commit large sums of project money on an annual basis. Thus, collection of social data tends to be a desultory exercise. Unfortunately, without such data it is difficult to know who the rural poor are or how they will be affected by project interventions.

*LESSON 2: The term "rural poor" is inadequate for program planning and project design.*

"Rural poor" implies the existence of a relatively homogeneous group. In the process of actual project implementation, however, this term largely loses its meaning. In some less developed countries the relative disparities in living standards between groups living on per capita incomes under \$150 is great. For example, a farmer cultivating one hectare of rice land and earning \$900 per year for a family of six may be much better off economically than a landless laborer who sells his labor during the harvest season earning \$500 annually for his six-member family, and who must scavenge for food and water between harvests. In the Philippines, the gap in living standards between a farmer or fisherman in the Bicol Region earning cash incomes of \$15-\$20 per month and a copra gatherer earning \$5 per month is the difference between living in a four-walled dwelling or a lean-to, sending one's children to school or not, having access to water via public hydrant or having to walk ten kilometers to get it, or being able to consume the minimum caloric requirement or not. Appropriate project interventions will not be the same for the farmer or the gatherer, the hacienda worker, the fisherman, the ditch tender, or the other subgroups which compose the "rural poor."

By virtue of their respective livelihoods, each group makes different demands upon the economy. An irrigation project will not directly benefit a copra

gatherer; farm-to-market roads might spread benefits to landless laborers in the form of improved access to towns where health-care services might be found, but the income effect of those same roads would be minimal for landless laborers when compared with their potential income effect on landowning farmers. Rural credit would be a great boon to landowning farmers, but only for more affluent farmers who are not already deeply in debt to private traders.

What this analysis suggests is that a project which could assist one rural poor subgroup will not necessarily have spread effects to all other subgroups. In fact, a project could actually have a deleterious effect on a group other than the target-group by making it vulnerable to exploitation by wealthier classes.

*LESSON 3: Traditional attitudes of mistrust of government officials and a low level of interest articulation among the rural peasantry hinder the government's effectiveness in carrying out development planning and implementation.* Development methodologies which stress target-group participation in project selection and implementation can ameliorate this constraint.

In general, in LDCs it is the government which is the main agent for change in the countryside. The reason for this is obvious: the government is by far the strongest and most sophisticated organizational structure in the country. However, it is this very dominance which is a government's Achilles' heel in rural areas.

For many rural residents, contact with government officials is limited to tax assessors and collectors, local constabulary, and an occasional health or extension worker. These contacts are usually initiated by the government itself and seldom by the rural resident, and are motivated by the need of government to penetrate rural areas to monitor or control conditions. Contact is limited to demanding resources or eliciting behavior from rural residents which serves the government's purpose. Rarely does the government perceive a need to solicit active support or legitimation of its authority from rural areas as long as it is able to maintain peace and order.

Thus, to most of the rural population in LDCs, what is important is what government is demanding from or is giving to the individual, his family, or his village. An extension agent or revenue collector is an external force that desires of the farmer material compensation or behavioral change. To avoid open conflict, the farmer will often cooperate with the agent as best he can simply to speed him on his way. Whether the farmer will continue to use the technique the agent taught him is questionable. In many respects, the farmer's reaction approximates his attitude toward all outsiders, whether they be landlords, private traders, or usurers. The government becomes just another force to be dealt with. Contact with officials may bring difficulty or benefit. If it brings hardship, the peasant tolerates it because he accepts, within limits, the prerogatives of political authority. If it brings benefit, he again accepts it as the obligation of those having wealth and power to look after his well-being.

Whatever it brings, however, the rural peasant's primary response is to invest as little of himself and his resources as possible.

How can government-sponsored projects be designed to have more than a limited impact on large numbers of the rural populace? There needs to be established a mechanism for sustained interaction with rural villages to permit exploration of alternatives for dealing with specific development problems. For example, prior to drilling a well and laying pipe to provide a village with drinking water, it may be necessary for a community to organize a committee to supervise maintenance of the pump system. If the establishment of an irrigation system is contemplated, what is first required is to organize local work teams for digging canals and turnouts, to identify farmer credit needs and banks to service them, and to make plans for providing new roads, trucks, and storage facilities to assure output. Thus, the dialogue initiated with rural residents to identify specific project needs also helps establish the link necessary for continued contact with beneficiary groups during implementation.<sup>4</sup>

The political implication of this process is that it alters the relationship between government and the target group from one of mutual obligation to one of mutual dependence. Specifically, the peasant should be less inclined to view the government as "owing" him a road or water pump, while the government should be less inclined to demand political fealty or obedience. The government depends upon the peasantry for basic project selection and identification of implementation problems, while the peasantry, as beneficiary, depends upon the government for the resources and expertise vital to fulfilling their needs.

*LESSON 4: Rural infrastructure projects can have substantial impact on the quality of life of rural poor groups despite relative capital intensity and despite potential leakages of project benefits to wealthier groups.* For example, in the Philippines the rural electrification program serves chartered cities, rural municipalities, and rural barangays outside the major metropolitan areas of Manila and Cebu. Most of the subscribers receiving electric service are rural residents with per capita incomes under \$250 per year and are engaged in agriculture or agriculture-related occupations, according to a recent USAID evaluation report.<sup>5</sup> Moreover, in most areas, up to half the subscribers are "minimum rate" users; that is, they use up to 15 kwh per month for a nominal charge which covers primarily the cost of power generation. Heavy users of electricity pay substantially higher rates (though it begins to decrease after a certain

4. See George Hondale, *Implementing Intergrated Area Development in the Bicol: Recommendations and Observations on Libmanan-Cabusao IAD* (Washington, D.C.: Development Alternatives, Inc., 1977), pp. 5-6.

5. *Nationwide Survey on Socio-Economic Impact of Rural Electrification*, USAID/Philippines, June 1978.

point) in order to permit electric cooperatives to cover debts and capital improvements. While it is certain that large businesses and even some foreign companies having operations in these areas benefit from the electrification programs, benefits to small users seem to be large.

Road building is another example of the potential effectiveness of infrastructure, though here the risks of leakage of benefits are greater than with electrification. It is difficult to design a road and specify its location such that only certain groups benefit from it. A road, particularly a farm-to-market road, does not discriminate among users. It is natural to expect that more enterprising farmers, fishermen, artisans or other workers with marketable surpluses of goods and services (or the capacity to produce the same) will be among the first to take advantage of a new road. Individuals with less operating capital, less experience with the market or cash economy, and less access to new production information are likely to respond more slowly to the opportunities offered by a secondary or feeder road. However, this argument should not be used against road construction unless designers are proposing concrete or asphalt roads for areas where all-weather gravel roads are sufficient. (In such a case, it might well be suspected that a concrete road will serve a larger commercial interest than that of small-scale agricultural producers.) A new road enables individuals from previously isolated villages to interact with the market economy more frequently and to gain access to services previously unavailable. New information generated from these contacts can be expected to have a beneficial impact on the livelihood of the small producer and his family.

The basic human needs approach generally specifies that the success or failure of projects in rural infrastructure, or in any area, should be judged by the extent to which they contribute to a reduction of relative income disparities between upper and lower income groups. Supposedly this is accomplished through projects which restrict the flow of benefits to all but the target-groups. However, the problem with confining the focus of development activities to concerns about equity is that this overlooks an intermediate step which may be necessary before equity policies can be effective. It may be more practical to concentrate on raising absolute incomes of all groups, including the poor, as the initial step to reducing income disparities.

*LESSON 5: A key both to increasing incomes and to reducing income disparities within society is to improve access to information.*

Peasants living at or below subsistence levels generally care little about the income and possessions of others. Horizons for the poorest groups are confined to daily food intake and other basic needs. Little thought is given to possibilities of accumulation, investment, or growth. In fact, there is little or no perception of poverty as a condition that can be changed.

Only when groups reach an economic level where income exceeds daily living

requirements does interest arise in saving and investing to increase productive capacity. At that point, entrance into different class levels in the social structure presents itself as a realistic possibility. The individual's perception turns from one of subsistence to one of relative deprivation, the first critical element in the quest for social mobility.

The magnitude of this metamorphosis depends upon the initial income levels. For a tenant farmer or small owner-cultivator whose cash income is only \$100 a year, a simple increase in income to \$200 per year may represent a revolutionary change in life style, much more so than an added \$100 increment to an annual income of \$1,000. For the latter, the additional \$100 may mean the ability to increase slightly the meat intake in his family's diet, to apply a few more bags of fertilizer to his crops, or to send his child to high school. For the \$100-per-year farmer, the increment represents a doubling of income and may result in the introduction of meat, vegetables, or dairy products into the family diet. It may also mean an improved house, potable water supply, or the ability to purchase medicine for his children. In the process of increasing absolute incomes for both families by \$100, the nominal gap between them remains at \$900, but the income distribution ratio is reduced from 10:1 to 5½:1, with an even greater reduction in the difference of economic perceptions between the two families.

At some point, what separates differing perceptions of need and socio-economic levels may be levels of information and knowledge more than income. In fact, as a society modernizes, education and the ability to obtain and utilize information surpasses income as the key determinant in defining access to levels of the social structure. Information access and utilization become an important determinant of income levels.

Unfortunately, information is like money. It accrues more readily to those who can use it. Unless there are direct interventions in the "information marketplace" with special education and information outreach programs targeted at lower-level groups, the flow of knowledge will continue to serve those groups most capable of using it. The disparities in terms of social opportunity, group influence, and access to elite structures in society can become even greater than corresponding income disparities.

It is therefore important that development efforts of all types give greater emphasis to removing obstacles to the free flow of information to poor groups. For example, irrigation construction projects should involve extension components which teach management and maintenance of the new water system, cooperative organization, and new water management techniques. Credit programs should provide training for farmers on how to manage credit resources. The list can be extended indefinitely. Resource transfer without knowledge transfer is inadequate for promoting sustained self-help efforts and economic



improvement. Indeed, the pace of improvement in income distribution may be dictated by the rate at which knowledge can be transferred and utilized by poor groups.

#### CONCLUSION

Development is not a science. There is no universal agreement as to which changes are good or bad. Over time, certain assumptions about social change and development require re-examination. This article has presented several commonly held perceptions about development and has asserted that these can be qualified or changed.

Five conclusions which have particular relevance for American foreign aid programs have been reached in this discussion:

(1) The management of US foreign aid programs must be flexible enough to allow more research into developing analytical descriptions of the rural groups. Specifically, less reliance must be placed on aggregate indicators such as income, infant mortality, and population growth rates, while more attention should be given to discerning how these poverty characteristics interrelate at the "micro" level. This research can be partially accomplished by conducting more thorough post-project impact evaluations.

(2) US foreign assistance strategy must develop a more precise designation of beneficiaries than "rural poor." Greater precision in defining target groups will lessen the potential of benefit leakage from projects because it will increase the precision of project design.

(3) AID should give priority to finding bilateral projects in which the host government can demonstrate target-group participation in project selection, design, and implementation.

(4) Capital-intensive rural infrastructure should receive renewed attention in development strategy. Such projects can be of substantial direct benefit to rural poor groups even with potential benefit leakages to wealthier groups. There should also be less emphasis on merely redressing relative income disparities in favor of greater emphasis on increasing absolute incomes of the poorest groups above subsistence levels.

(5) Greater emphasis should be given to the goal of transferring information and knowledge. Outreach activities and information dissemination should be a critical element of any project design.