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## An international perspective on basic needs

The concept of providing for the basic needs of the poorest has been widely misunderstood. The author briefly reviews some of the misconceptions, and discusses how a wide variety of development strategies can be used to reduce the prevalence of absolute poverty. These include programs for human resource development which aim to increase the productive potential of the poor, and the provision to them of additional public services. International donors can assist developing countries in carrying out such strategies, but the final choice of policies, and the ultimate responsibility, remains with the individual country.

"Basic needs" is fast becoming an endangered code word. To some, the concept of providing for the basic needs of the poorest represents a futile attempt to redistribute incomes and provide welfare services for the poor, without stimulating correspond-

ing increases in their productivity to pay for them. To others, it identifies the ultimate objective of economic development which should shape national planning for investment, production, and consumption. To some, it conjures up the image of

This is the final article in a series. Previous articles were:

- "From growth to basic needs" by Paul Streeten, September 1979.
- "Country experience in providing for basic needs" by Frances Stewart, December 1979.
- "Sectoral priorities for meeting basic needs" by Shahid Javed Burki, March 1980.
- "A strategy to reduce malnutrition" by Alan Berg, March 1980.
- "Poverty and progress—choices for the developing world" by Hollis B. Chenery, June 1980.
- "Is there a tradeoff between growth and basic needs?" by Norman L. Hicks, June 1980.

All these articles are being reprinted by the World Bank in a booklet entitled *Poverty and Basic Needs*.

a move toward socialism, and whispered references are made to the experience of China and Cuba. To others, it represents a capitalist conspiracy to deny industrialization and modernization to the developing countries and thereby to keep them dependent upon the developed world. To still others, it is a pragmatic response to the urgent problem of absolute poverty in their midst. It is amazing how two such innocent, five-letter words could mean so many different things to so many different people.

It is possible that "basic needs" has become such a code word that it is impossible by now to restore a meaningful perspective on this issue without abandoning the code word itself. That should not be too much of a loss. What needs to be protected is the objective, not the word. A redefinition is needed of the objective of development as increasing the income-earning capacity of the poor, both through greater national production and through the extension and the redistribution of public services.

It should be recognized, too, that terms like "basic needs strategies," "basic needs sectors," or "basic needs projects" are misleading. They confuse an ultimate goal with intermediate means. Many different activities can help meet basic needs and reduce absolute poverty—from building infrastructure to constructing a health dispensary. The indirect impact of some policies may be just as important as their direct impact. This confusion between ends and means lies at the heart of the current heated international debate on basic needs. An attempt is made in this article to clarify some major issues in this debate and to offer an international perspective on the role of basic needs in the development effort.

### Misconceptions about the concept

The concept of basic needs brings to any development strategy a heightened concern with meeting the consumption needs of the whole population, particularly in the areas of education and health, but also in nutrition, housing, water supply, and sanitation. In formulating policies aimed at reducing poverty, a good deal of attention has generally been paid to restructuring patterns of production and income so that they benefit the poor. But similar attention has not been devoted to their needs for public services.

It should be recognized, however, that basic needs is not exclusively a welfare concept. Indeed, one of the major conclusions of recent World Bank studies is that sufficient empirical evidence exists to demonstrate that improved education and health often make a major contribution to

increased productivity (see *World Development Report, 1980*).

The pursuit of basic needs is not a distinct development strategy in itself. It is a major goal of development which can be, and has been, achieved through a variety of development strategies. However, the explicit adoption of this goal as an important development objective involves gearing production, investment, and income policies to meet basic needs in a cost-effective fashion and according to a specific time frame.

These are issues that have been concerning the World Bank for some time, and the previous articles in this series have reported on the findings of the Bank's studies on meeting basic needs in different areas and different spheres of activity (see box). Specifically, the Bank has studied the application of the basic needs approach in particular countries and in certain sectors—health, education, water, nutrition, and housing. The studies also attempted to understand the linkages between the application of this concept to particular sectors, and its effects on growth in an economy.

### Increasing productivity

The only way that absolute poverty can be eliminated on a permanent and sustainable basis is to increase the productivity of the poor. But this concern with direct methods to increase the productivity of the poor needs to be supplemented, for at least four reasons.

- First, education and health are required, besides machines and land and credit, to contribute to a higher level of productivity. Most poor people have lim-

ited access to such public services as education, health care, and water supplies which they need if they are to break out of the vicious circle of low productivity and poverty.

- Second, many poor people have no physical assets—neither a small farm nor a small industry. They are landless or urban poor. The only "asset" they possess is their own two hands and their willingness to work. In such a situation, the development of human resources through education and health programs is essential to increase their productivity.

- Third, it is not enough to enable the poor to earn a reasonable income. They also need goods and services on which to spend it. Markets do not always supply wage goods, particularly public services. Expansion and redistribution of public services becomes essential if basic needs are to be met.

- Finally, it may take a long time to increase the productivity of the absolute poor to a level where they can afford at least the minimum bundle of basic needs for a productive life. In the interim period, some income groups—particularly the bottom 10 to 20 per cent—may need short-term subsidy programs.

### Third World suspicions

So the implications of the Bank's work on how to reach the very poor in a society are quite clear: both increasing their income-earning capacity and meeting their basic needs are essential. But ultimately the decision to try to reduce poverty, and the choice of a development strategy, rests with the country concerned, and not with any outside institution. In this context, the suspicion with which Third World negotiators in international forums regard the concept of basic needs has to be examined seriously, particularly since one of the principal objectives of their national development plans is to meet basic needs.

It is always difficult to separate myths and reality in a debate like this. But some of the reasons for the disenchantment of the Third World negotiators with international discussions on basic needs can be identified.

To begin with, the negotiators suspect that the developed countries are belatedly becoming concerned with basic needs because they think it will mean providing less assistance. In fact, current official development assistance (ODA) levels may have to be at least doubled in real terms if significant progress is to be made in meeting the basic needs of the absolute poor over the next two decades, and if the problems of transition are to be cushioned in the recipient country so that the programs will



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Giuseppe Franchini for F&D

not inflict a totally unacceptable price on the rich and powerful sections of society. But few donors have indicated their willingness to provide more assistance while they advocate the adoption of a basic needs approach by the developing countries. The real assurance on this issue can come only from the rich nations; they should commit themselves to specific targets for raising the level of their assistance to support programs which provide basic needs for the majority of the poor in the Third World within a reasonable period of time.

Third World negotiators also suspect that the current stress on basic needs will be used to deny assistance to them for infrastructure, modernization, or industrialization. This again reflects a confusion between ends and means. Basic needs is an objective, not a specific route toward development. Developing countries may well establish steel mills, or any other industry, and still remain consistent with their aim to reduce poverty so long as the benefits of the consequent growth are channeled to the poor. So the support of the donors for such projects should be based on their judgment of whether the overall development plans and policies of the country concerned are consistent with the objective of meeting basic needs, rather than on an evaluation of individual projects.

There is also suspicion that emphasis on basic needs will divert ODA from some middle-income countries to the poorest countries. Such a diversion, in fact, would be a logical development. At present, 55 per cent of bilateral ODA is still allocated to the middle-income countries, which contain only 20 per cent of the global population of absolute poor. If ODA were to be reallocated according to a basic needs criterion, it would have to be diverted to the poorest nations. The impact of such a diversion could be cushioned, however, by enabling the middle-income countries to have a greater and more assured access to the capital markets of the developed countries and by channeling ODA increasingly through multilateral institutions. The International Development Association (IDA), for instance, could use more funds and has the advantage that professional criteria are applied in determining its country allocations. Over 90 per cent of IDA resources are allocated to the poorest countries already, compared to 45 per cent of ODA through bilateral channels.

A further concern of the Third World negotiators is that the donors will intervene more in the internal economic and political management of their countries under the convenient banner of auditing basic needs programs. This is a delicate policy area to discuss with any semblance

of objectivity. In a way, there is always some degree of policy intervention by the donors: its objectives and form may change over time. But the heart of aid diplomacy is for officials in donor countries to identify the point beyond which policy intervention becomes counterproductive. Perhaps a distinction has to be made here between a donor's signals on overall policy, which are generally more acceptable to recipient countries, and specific project and policy conditionality and detailed monitoring, which are far less acceptable. For instance, overall policy signals can make clear that additional assistance will be given to those countries which commit themselves to giv-

needs and the New International Economic Order begins to fade if basic needs is accepted as a priority objective which should be met both by reforming the national and the international orders and by the more automatic provision of additional financial support for the developing countries.

### **A constructive approach**

What can be done at the international level to support the adoption by the developing countries of a strategy that will provide for basic needs of the poor?

As a start, it may be useful to note what has *not* succeeded so far at the international level. Many United Nations confer-

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ing higher priority to basic needs. There is an additional consideration: in general, performance auditing by multilateral institutions, such as the IDA, or special arrangements for participatory monitoring, as was the case with the Marshall Plan, are more acceptable than similar action by bilateral donors. In any case, the developed countries will have to be very careful about the extent and form of policy intervention they can usefully apply at a time when the developing countries are seeking greater equality, independence, self-reliance, and participation in international decision making and when they are in the least receptive mood for such intervention.

Finally, there is an overwhelming concern on the part of the Third World negotiators that the current debate over basic needs may be used by the developed countries to divert attention from the North-South dialogue on the New International Economic Order. There is a concern that the advocacy of basic needs will be used by the donors to tell the developing countries to reform their own national priorities before they question the inequities of the international system. Moreover, the basic needs debate is concerned exclusively with resource transfers while the dialogue on the New International Economic Order includes discussion of areas such as trade, credit markets, technology, and multinationals. A parallel can be drawn here to attempts at achieving equality of opportunity at the national level: if the poor are to achieve greater equality of opportunity, they need not only resource transfers but also a restructuring of various institutions and markets. Any conflict between basic

ences in recent years have attempted to set specific dates for meeting global targets in the fields of education, health, water supply, nutrition, and housing. Although this has certainly helped to create greater awareness of the magnitude and urgency of the particular problems, these global targets have had little operational significance. Concrete targets to meet basic needs can be set and implemented only in specific national situations. Moreover, the costs of individual global targets are generally assessed by totaling the costs of each sector analyzed in isolation. This leads to inflated aggregates which do not take the cost-reducing impact of sectoral linkages fully into account. Furthermore, these global targets are often not fitted into any consistent, overall development strategy for the developing world, so that they often do not make much sense when pursued at a national level. Further, the dates for their achievement are generally a matter of arbitrary choice.

In order to incorporate goals for meeting basic needs into an operational program, three distinct steps are necessary. First, all developing countries should formulate their own national development plans for meeting the basic needs of their population over a defined period of time. Naturally, the priority that each society gives to meeting basic needs and the time frame within which it plans to achieve this objective will vary widely, depending on its stage of economic development, resource base, and political and social compulsions. International targets should be derived as an aggregation of these national plans, and not as independent estimates.

### IBRD/IDA lending by sectors

(In fiscal years)

	1970		1980 (Preliminary)		Average annual growth 1970-80
	In millions of 1980 dollars	In per cent	In millions of 1980 dollars	In per cent	In per cent
<b>Sectors of lending</b>					
Infrastructure <sup>1</sup>	3,784	58.3	4,090	37.2	0.8
Sectors directly linked to increasing the productivity of the poor	<b>506</b>	<b>7.8</b>	<b>3,352</b>	<b>30.5</b>	<b>20.8</b>
Production sectors					
"New style projects" <sup>2</sup>	166	2.6	2,053	18.7	28.6
"Basic needs programs" <sup>3</sup>	340	5.2	1,299	11.8	14.4
Other production sectors <sup>4</sup>	2,197	33.9	3,558	32.3	4.9
<b>Total</b>	<b>6,487</b>	<b>100.0</b>	<b>11,000</b>	<b>100.0</b>	<b>5.4</b>

Source: World Bank.

Note: There is some overlap between various categories. Also, all lending has varying degrees of impact on poverty, directly or indirectly. The table is only illustrative to bring out the major shift in sectoral emphasis over time.

<sup>1</sup> Includes communications, energy, power, transportation, and tourism.

<sup>2</sup> Includes rural development and small-scale industry projects where over 51 per cent of the total benefit is directed to poverty target groups.

<sup>3</sup> Includes education, population, health, sites and services, and water supply.

<sup>4</sup> Includes agriculture (excluding rural development), development finance companies, industry, technical assistance, and nonproject lending.

Second, each national development plan should identify the range of national and international policies needed to assist in meeting the basic needs of their poor people according to the country's own specific timetable. The International Development Strategy for the 1980s, which is currently being formulated, should fully reflect these policy options. In particular, it should focus on those international actions which are vital for the success of these national plans—whether these are additional resource transfers or changes in the prevailing international trade and monetary system.

Third, the international community should commit itself to a much higher level of support for the efforts of the developing countries if absolute poverty is to be eliminated in a manageable period of time. In fact, a coherent international development strategy, based on the priorities of national development plans, can give specific content to the changes in the international environment which are needed to meet certain defined development objectives.

### Issues for the World Bank

What are the implications of this discussion for the policies of the World Bank itself?

Over the past 12 years, the Bank has switched its sectoral priorities so that an increasing proportion of its lending is now committed to sectors directly contributing

to the objective of poverty alleviation. The proportion of such projects and programs in the total lending program has risen from 8 per cent in fiscal year 1970 to 30 per cent by fiscal year 1980 (see table). Thus, over the last decade, resources devoted by the Bank to programs of increased productivity of the poor have increased about four times as fast as the Bank's overall rate of expansion. However, there is considerable scope for further adjustment within sectors. For example, only 14 per cent of the benefits from water and sanitation projects are believed to go to the absolute poor. The share of basic education in total Bank lending in the education sector at present is estimated at 25 per cent.

Greater emphasis on the objectives of alleviating poverty and meeting basic needs has some important implications for the lending procedures of the Bank, particularly for operating costs and sectoral lending. It is a characteristic of many projects and programs that are aimed at meeting basic needs that operating costs are high in relation to capital costs. Some financing of incremental operating costs is already being done by the Bank. In agricultural extension projects, for example, the Bank includes the salaries of extension workers in the costs of the projects. Practices have varied, however, among sectors; in education, for example, this type of operational financing has been limited.

The Bank has recently generalized this approach by making eligible for financing

any incremental operating costs required for the implementation of education and training projects. Specifically, this includes financing of incremental costs of teachers' salaries and materials, which in many instances is a more effective way of expanding or improving education than an exclusive preoccupation with buildings and equipment. The financing of such incremental operating costs by the Bank will not extend beyond the implementation period of the project. The Bank will also satisfy itself that these incremental operating costs can be financed subsequently by the government concerned.

A greater Bank role in providing for basic needs also suggests some movement toward sector lending. Sector lending can be defined in general terms: it means that a donor provides a certain amount of resources for the implementation of a set of projects conceived within a satisfactory sector strategy. Sector lending, therefore, presupposes the existence of national institutions that are capable of implementing coherent sector strategies and of handling various aspects of project work. This condition has not often been met in the social sectors.

The Bank will adopt an explicit policy of creating and developing institutions in education, health, water supply, and so on, that can, over time, be relied upon to make good use of sector loans. At the same time, the Bank will expand its sector lending in the relevant sectors of education, nutrition, water supply, sanitation, and housing in those countries in which adequate institutional bases already exist.

### Primarily a national decision

This discussion has concentrated on the international implications of adopting basic needs as the principal objective in national development plans. In the final analysis, however, the initiative for adopting such an objective rests entirely with the developing countries. The weight they give to this objective is their choice. The international community cannot be far ahead of the national governments. It can offer help. It can give the right signals in lending policies. But it can neither define nor dictate basic needs targets. It is a national decision, in the light of each country's own political and economic compulsions, the accumulating pressure of their absolute poverty, and the quiet footsteps of political revolutions that their governments hear in the dark distance. Without a national commitment to eliminating such poverty, no amount of international concern can succeed in providing for the basic needs of the world's poorest.