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Basic Needs: Premises and Promises

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Basic Needs: Premises and Promises

Paul P. Streeten,* *World Bank*

The objective of a basic needs approach is to provide opportunities for the full development of the individual. It focuses on mobilizing particular resources for particular groups, identified as deficient in these resources. It is contrasted with the income and employment approaches, which neglect important features of meeting basic needs. The essence of the case for the basic needs approach is that the gap between requirements and actual living levels can be filled sooner, and with fewer resources, than by alternative routes. After a discussion of the value and factual premises underlying this approach and of the political and administrative constraints, the problem of a possible trade-off between basic needs and growth, and between basic needs and the New International Economic Order is discussed, and the case for additional aid, in order to make a substantial step towards meeting basic needs by the year 2000, is argued.

OBJECTIVES

The objective of a basic needs approach to development is to provide opportunities for the full physical, mental, and social development of the individual. This approach focuses on mobilizing *particular* resources for *particular* groups, identified as deficient in these resources, and concentrates on the nature of what is provided rather than on income. It is, therefore, a more positive and concrete concept than the double negatives like "eliminating poverty" or "reducing unemployment." It does not replace the more aggregate and abstract concepts which remain essential to measurement and analysis; it gives them content. Nor does it replace concepts that are means to broader ends, like productivity, production, and growth, but it calls for changing the composition of output, the rates of growth of its different components, and the distribution of purchasing power.

In addition to the *concrete* specification of human needs in contrast to *abstract* concepts, and the emphasis on *ends* in contrast to *means*, the basic needs approach encompasses "nonmaterial" needs. They include the need for self-determination, self-reliance, political freedom and security, participation in decision making, national and cultural identity, and a sense of purpose in life and work. While some of these "nonmaterial" needs are conditions for meeting the more "material" needs, there may be conflict between others, such as meeting basic material needs and certain types of freedom. For other sets of needs, there may be neither complementarity nor conflict.[1] Finally, meeting specific priority

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[1] The notion "basic" does not preclude possibilities of conflicts and trade-offs: since not all needs can be met at once, their hierarchy manifests itself as a succession in time.

needs has an appeal to donors and to those taxed, which income redistribution lacks.

INCOME VERSUS BASIC NEEDS APPROACHES

The income approach recommends measures that raise the real incomes of the poor by making them more productive, so that the purchasing power of their earnings (together with the yield of their subsistence production) is adequate to enable them to buy the basic needs basket. The basic needs approach, in the narrow sense, regards the income-orientation of earlier approaches as inefficient, or partial, for several reasons:

(1) There is some evidence that consumers are not always efficient optimizers, especially concerning nutrition and health, or when changing from subsistence farmers to cash earners. Additional cash income is sometimes spent on food of lower nutritional value than that consumed at lower levels, or on items other than food.

(2) The manner in which additional income is earned may affect nutrition adversely. Female employment, for example, may reduce breast feeding and, therefore, the nutrition of babies, even though the mother's income has risen, or more profitable cash crops may replace "inferior" crops grown at home.

(3) There is maldistribution within households, as well as between households; women and children tend to be neglected in favor of adult males. Points (1), (2), and (3) raise difficult and controversial questions about free choice and society's right to intervene, and about effective methods of aiding choice and strengthening and reaching the weak.

(4) Perhaps twenty percent of the destitute are sick, disabled, aged, or orphaned children; they may be members of households or they may not; their needs have to be met through transfer payments or public services, since, by definition, they are incapable of earning. This group has been neglected by the income and productivity approach to poverty alleviation and employment creation. Of course, this situation raises particularly difficult problems of implementation, not only in poor societies.

(5) Some basic needs can be satisfied effectively only through public services, subsidized goods and services, or transfer payments. The provision of public services is, of course, not a distinct feature of a basic needs strategy. Emphasis is placed, rather, on investigating why these services so often fail to reach the groups for whom they were intended and on ensuring that they do.

(6) The income approach has paid a good deal of attention to the choice of technique, but has neglected the need to provide for appropriate products. In many developing societies, the import or domestic production of over-sophisticated products, transferred from relatively high-income, high-saving economies, has frustrated the pursuit of a basic needs approach by catering to the demands of a small section of the population, or by preempting an excessive slice of the low incomes of the poor. The choice of appropriate products produced by appropriate techniques, giving rise to more jobs and a more even income distribution, which in turn generates the demand for these products, is an essential, distinct feature of the basic needs approach.

(7) Finally, as already mentioned, the income approach neglects the importance of "nonmaterial" needs, both in their own right and as instruments of meeting some of the material needs more effectively and at lower costs. This point becomes particularly relevant if the nonsatisfaction of nonmaterial needs increases the difficulty of meeting basic needs despite income growth.

The selective approach makes it possible and sooner to satisfy the basic human needs of the whole population at levels of income per head substantially below those that would be required by a less discriminating strategy of all-around income growth. This point is crucial. Fewer resources are *required*, or the objective can be achieved sooner, because a direct attack on deprivation eliminates spending on resources that do not contribute to meeting basic need, among which are: (1) the non-basic-needs items in the consumption expenditure of the poor; (2) part of the noninconducive consumption expenditure of the better off; and (3) investment expenditure, to the extent that its reduction does not detract from constructing the sustainable base for meeting basic needs.[2]

In addition, these fewer resources needed show a higher "productivity" in meeting their objective. A combined operation for meeting an appropriately selected package of basic needs economizes in the use of resources and improves the impact, because of linkages, complementarities and interdependencies among different sectors.[3]

Finally, concentrating efforts on infant mortality, women's education, and even the apparently purest "welfare" component (provision for old age and disabiltiy) should reduce desired family size and fertility rates more speedily and at lower costs than raising household incomes.[4] The causal nexus has not been established beyond controversy, but it presents one of the hypotheses of the basic needs approach.

For these three reasons—saving resources on objectives with lower priority than basic needs, economizing on linkages, and reducing fertility rates (and, on certain assumption, population growth)—a basic needs approach economizes in the use of resources or in the time needed to satisfy basic needs.

A basic needs approach will also tend to make more *domestic* resources available: (1) The output needed to satisfy basic needs is likely to be labor-intensive. In countries with high unemployment, this will raise both employment and production. (2) Attacks on malnutrition, disease, and illiteracy result not only in longer life spans and improved quality of life, but also in improved quality of the labor force.[5] (3) The removal of motives for having large families, by an attack on the "correlates of fertility decline" mentioned in the previous

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[2] To the extent that meeting basic needs covers provision for the victims of natural disasters special arrangements are required and the argument of the text applies with less force.

[3] Very low fertility rates are registered in countries with low infant mortality rates and high life expentancy.

[4] Cassen (1976) emphasizes the complex processes connecting these "correlates of fertility decline," with other aspects of development, including income and fertility. Morawetz (1978) confirms statistically the link between basic needs and fertility decline.

[5] It is, however, an open question whether the returns to this form of human investment are higher, at the margin, than those from more conventional investment in physical capital.

paragraph can be (alternatively) regarded as a factor *reducing* the *required* resources or as one *increasing* the *available* resources. (4) A basic needs approach that harnesses local labor will mobilize and increase incentives for higher production.

More resources may also become available *internationally* because the pledge for meeting the basic needs of the world's poor as a first charge on our aid budgets has stronger moral and political appeal than most other schemes advanced for the promotion of international assistance. There can be no certainty about this, but it is already clear that the concept has international appeal and may help to overcome the present aid fatigue by defining new forms of international cooperation and commitments.[6]

It remains to be investigated how a basic needs approach is likely to affect specific resource constraints—foreign exchange, administrative skills, etc. It might be thought that such a strategy would reduce exports, but it would also tend to reduce import requirements. It would certainly call for more administrative skills, but if local energy can be harnessed, motivation for raising the supply of these skills would be strengthened and the skills are not of a very high order.

In brief, therefore, a basic needs approach—because it saves resources, mobilizes more resources, and makes these resources more productive—achieves an agreed priority objective sooner than a solely income-oriented approach, even if the latter is poverty-weighted. The "resource gap" is narrowed or closed from both ends.

Two crucial questions remain: one of value and one of fact. The *value* assumption underlying the above argument is that lower weight is attached to the uses of resources that do not meet basic needs. One may object that governments and people who do not accept this value judgment will reject the whole approach, and those that accept it will not need it. But if aid agencies adopt the approach, they may be able to push the unconvinced in the direction of accepting the value judgment.

The crucial *factual* assumption is that leakages or "trickle-up" effects in a selective system are smaller than in a general system. If the benefits do not effectively reach the needy, the "wastage" of the basic needs approach may be as large as, or even larger than, that of the income-oriented, nonselective approach. This is an important area for operational research and experimentation.

BASIC NEEDS AND GROWTH: A TRADE-OFF?

Critics of the basic needs approach have often stated that such an approach sacrifices savings, productive investment, and incentives to work for the sake of current consumption and welfare.

Basic needs and growth are not strictly comparable objectives. Growth emphasizes annual increments of production and income, and concern for the

[6] Since food is an important element in a basic needs strategy, and since, given the distribution of votes in Western democracies, food aid is politically easier than finance, properly channelled food aid can make an important international contribution to meeting basic needs.

future. A basic needs approach must also contain a time dimension. It proposes a set of policies that increasingly meets a dynamic range of the basic needs of a growing population.

If basic needs and growth are to be compared at all, the question should be: Does meeting basic needs imply sacrificing certain components of current output or certain components of current incomes? Such a sacrifice then may reduce aggregate growth of income per head by raising the capital/output ratio and/or lowering the savings ratio, and/or raising population growth.

Four types of trade-off can be envisaged:

(1) between benefits to higher income groups in favor of benefits to lower income groups;
(2) between non-basic-needs goods and services consumed by *all* income groups, including the poor, in favor of basic needs goods and services consumed by the poor;
(3) between activities that create incentives for larger savings and efforts to work in favor of current consumption;
(4) between goods and services which make a larger contribution to future production in favor of those that make a smaller contribution or none.

All these policies have certain distributional dimensions, in both space and time; they imply decisions about how goods and services are distributed. *The concern of those who suspect that basic needs involves a trade-off with growth is that the children and grandchildren of those whose basic needs are met now would have to accept lower levels of living than if the present generation were asked to tighten its belt more for higher prosperity later.*

Ignoring for the moment problems of measurement, the options can be illustrated by four paths. In Fig. 1 we trace the log of consumption per head of the poor on the vertical axis and time on the horizontal axis. Path 1 shows at first lower levels of consumption but, as a result of better incentives and productive

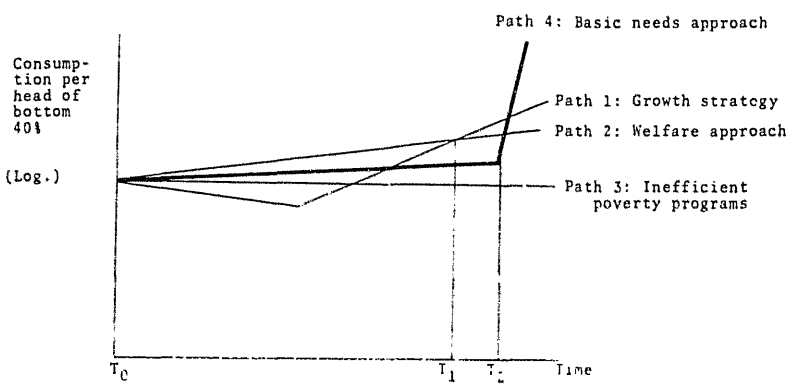

Fig. 1. Comparison of the effects over time of four approaches to consumption by the poor.

investment, overtakes path 2 at some point (T_1) and, for ever after, the consumption of the poor is higher. Path 2 starts with higher consumption by the poor but, by neglecting incentives, private and public savings, and productive investment, falls behind path 1 after a certain date, T_1. This is how the option is often presented.

It should be clear that sound policies should rule out path 3, which is an inefficient way of meeting the needs of the poor.

The rationale behind basic needs, however, is path 4. High priority is given to some components of current consumption by the poor which may then, for a while, fall below the consumption levels that could have been attained by the two other paths. When the present generation of children entering the labor force begins to yield returns, (T_2), the growth path is steeper than it would have been under 1, and overtakes first the welfare path 2 and later the growth path 1.

Stalinist forced industrialization and the industrial revolution in England followed path 1. Taiwan, Korea, and perhaps Japan followed path 4, laying in earlier years the runway for future "take-off into self-sustained growth" by meeting certain basic needs through land reform and massive investment in human capital, especially education. Critics charge that Sri Lanka and Tanzania may be following path 2 and Burma path 3, though these experiences have not yet been fully analyzed.

In comparing growth paths, it is important that growth and its components are correctly measured. Basic needs are measured, in the first place, in terms of psysiological needs and physical inputs, and financial costs are calculated from these. Growth, on the other hand, is an aggregate in which the existing, often very unequal, income distribution determines purchasing power, and with it the price weights. A ten percent increase in the income of someone earning $10,000 is weighted a hundred times more than a ten percent increase in the income of someone earning $100. Ahluwalia and Chenery (1974) have suggested a modification to the conventional growth measure, which weights initial shares of each income group by their share in the national income, so that the weight of the poorest is the smallest and that of the richest the largest. One possibility is to weight each group equally, according to the number of people (or households, allowing for size and age distribution), so that a one percent growth of the poorest 25 percent has the same weight as a one percent growth of the richest 25 percent. An even more radical system of weighting would attribute zero weights to the growth of income of all income groups above the poorest 25 or 40 percent, and a weight of unity to those below the poverty line. Whatever method is chosen, any discussion of the "trade-off" between basic needs and growth ought to specify what weights it attaches to income growth of different income groups. This would bring out clearly the value judgements underlying the strategy.

The relative importance of different items in the consumption basket is normally determined by their relative prices. We register growth when the consumption of whiskey has risen, even though the consumption of milk may have declined. This is not because we regard whiskey consumed by the rich as more important than milk consumed by the poor, but because the higher incomes of the rich determine the relatively high price of whiskey, while lack of

purchasing power of the poor is reflected in the low price of milk. In societies with unequal income distributions, the standard measure for GNP growth, therefore, gives excessive weight to the growth of non-basic-needs goods and deficient weight to basic needs goods.

Having specified the particular resources needed for the particular target groups, and having defined a time profile for meeting the basic needs of a growing population on a sustainable basis, growth will turn out to be the *result* of a basic needs policy, not its *objective*. Growth is not normally something that has to be sacrificed, "traded-off," in order to meet present needs. On the contrary, in the light of the above considerations, a basic needs approach may well call for *higher* growth rates than a so-called "growth" strategy. But the time path composition and the beneficiaries (and the measure) of such growth will be different from those of a conventional high-growth strategy.

THE POLITICS OF BASIC NEEDS

It is sometimes argued that basic needs is an ideological concept that conceals a call for revolution. Such an interpretation can be justified neither historically nor analytically.[7] It is evident that a wide variety of political regimes have satisfied basic needs within a relatively short time. Options for the future are even wider than the limited experience of the past twenty-five years.

It is, of course, true that the success of different political regimes in meeting basic needs cannot be attributed to their having written basic needs on their banner. Most share certain initial conditions and sets of policies that present important lessons for others attempting to meet basic needs. By starting from a base at which some basic needs were already satisfied, they reduced the time required for meeting other needs, both directly, and through the indirect effect on the quality and motivation of the labor force.

If some political regimes have succeeded in satisfying basic needs within a short period without adopting a basic needs approach as an explicit policy instrument, others have paid lip service to the objective, without succeeding in implementing it. The reasons for this gap between professions and practice are, ultimately, political.

If the failures of certain strategies are due to political obstructions, it is then essential to show how these forces can be kept in check. For example, measures to meet basic needs can be implemented by a reformist alliance, in a peaceful manner. Some of these measures, like the eradication of communicable diseases or the preservation of social peace, are clearly in the narrow self-interest of the dominant groups. Others are in the longer-term interest of some groups who could mobilize support for gradual reform.[8]

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[7] Even if justified, it would still require a "delivery system" for revolution.

[8] In 19th century England, the rural rich campaigned against the urban rich for factory legislation, which improved the condition of the poor, while the urban rich campaigned against the rural rich for the repeal of the Corn Laws, which reduced the price of food for the poor.

BASIC NEEDS AND THE NEW INTERNATIONAL ECONOMIC ORDER

Developing countries are apprehensive lest a basic needs approach adopted by donors implies sacrificing features of a New International Economic Order (NIEO). But the conflict can be avoided. The differences between the two approaches point to the need to advance on both fronts simultaneously. The NIEO is concerned with formulating a framework in institutions, processes, and rules that would correct what developing countries regard as the present bias of the system against them. This bias is thought to be evident in the structure of certain markets, where a few large and powerful buyers confront many weak, competing sellers; in discrimination in access to capital markets and to knowledge; in the present patent law and patent conventions; in the thrust of research and development and the nature of modern technology; in the power of the transnational corporations; in discriminatory restrictions on migration; in international monetary arrangements; etc. A correction in the direction of a more balanced distribution of power and access to power would enable developing countries to become less dependent and more self-reliant. But the NIEO by itself is no guarantee that the governments of the developing countries would use their new power to meet the needs of their poor.

A basic needs program that does not build on the self-reliance and self-help of governments and countries is in danger of degenerating into a global charity program. A NIEO that is not committed to meeting basic needs is liable to transfer resources from the poor in rich countries to the rich in poor countries.

It is easy to envisage a situation in which the benefits of international basic needs assistance are more than wiped out by the damage done by protectionist trade measures, by an unequal distribution of the gains from trade and foreign investment, by transfer pricing practices of transnational corporations, by the unemployment generated by inappropriate technology, by brain drain and restrictions on migration of unskilled workers, or by restrictive monetary policies which inflict unemployment. The global commitment to basic needs makes sense only in an international order in which the impact of all other international policies—trade, foreign investment, technology transfer, movement of professionals, migration, money—is not detrimental to meeting basic needs.

The NIEO is a framework of rules and institutions, regulating the relations between sovereign nations; and basic needs is one important objective which this framework should serve. The way to make the institutions accept this objective is to strike a bargain: donors accept features of the NIEO if, and only if, developing country governments commit themselves to poverty eradication.

There are those who maintain that integration into *any* international economic order in which advanced capitalist economies dominate is inconsistent with meeting the basic needs of the poor. Pointing to the People's Republic of China (at least until recently), they advocate "delinking" in order to insulate their society, or a group of like-minded societies, from the detrimental impulses propagated by the international system. Policies derived from such a view of the world order do not depend, of course, on wringing concessions from rich

countries, but can be pursued by unilateral action. On the other hand, those who think that the international system has benefits to offer if the rules are reformulated and the power relations recast, will not opt for complete delinking but for restructuring.

A more specific question is how an international basic needs approach is to be implemented in a manner consistent with the spirit of the NIEO. The governments of developing countries are anxious to preserve their full sovereignty and autonomy and do not wish to have their priorities laid down for them by donors. Donors, on the other hand, wish to make sure that their contributions reach the people for whom they are intended. The solution is to be found in the strengthening of existing institutions and the evolution of new ones that are acceptable to both donors and recipients and that ensure that international aid reaches the vulnerable groups. Such buffer institutions and buffer processes would combine full national sovereignty with basic needs priority. They would be representative, independent, and genuinely devoted to the goals of international cooperation.

DEVELOPMENT ASSISTANCE REQUIREMENTS FOR FINANCING BASIC NEEDS

Provisional estimates indicate that a basic needs program would call for an annual investment of $20 billion over a twenty-year period (1980-2000) at 1976 prices. If recurrent expenditures are added, the annual total costs would amount to $45–60 billion. If programs are implemented only in the poorest countries, annual investment and recurrent costs are estimated to be $30–40 billion. This would be 12–16% of these countries' projected GNP and 80–100% of their projected gross investment. Assuming the OECD countries concentrate their effort on the poorest countries and contribute about 50% of the additional costs of these programs, this would call for $15–20 billion official development assistance (ODA) flows per year over twenty years.

At present, ODA flows from OECD countries amount to about $14 billion a year. Of this, the poorest countries receive only about $6 billion. Only a part of this assistance is now devoted to meeting basic needs, and the resource calculations are based on *additional* requirements. Nevertheless, it might be asked why the whole of the assistance should not be switched to what is agreed to be a priority objective, so that additional requirements could be greatly reduced. Moreover, if some ODA now going to middle-income countries could be redirected to the poorest countries, requirements could be further reduced.

Such redirection would, however, be neither desirable nor possible. Middle-income countries have a higher absorptive capacity and tend to show higher returns on resource transfers. They, too, have serious problems of poverty. Moreover, a reallocation of ODA flows is politically much easier if it is done out of incremental flows than if existing flows to some countries have to be decreased. The legacy of past commitments and the expectations that they have generated cannot be discarded in a few years.

There are three reasons why additional resources of about $20 billion per year are needed in order to make a convincing international contribution to basic

needs programs in the poorest countries. First, twenty years is a very short time for a serious antipoverty program. It calls for extra efforts both on the part of developed and developing countries. The domestic effort—economic, administrative and political—required from the developing countries is formidable. At the same time, while the figures for ODA seem large, total ODA flows that would rise year by year by $2 billion between 1980 and 2000 (averaging $20 billion per year for the entire 20 years) would still be only 0.43% of the GNP of the OECD countries in the year 2000, substantially below the agreed-upon target of 0.7%. The acceleration (from the present 0.34%) is certainly within the power of the developed countries.

The second reason for additional resources is the fact that the change from present policies to a basic needs approach creates formidable problems of transition. Investment projects that have been started cannot suddenly be terminated. An attempt to switch to basic needs programs while the structure of demand and production has not yet been adapted to them is bound to create inflationary and balance-of-payments pressures. This might result in capital flight and added brain drain as social groups anticipating being hurt attempt to safeguard their interests. Strikes from disaffected workers in the organized industrial sector might occur. Unless a government has some reserves to overcome these transitional difficulties, the attempt to embark on a basic needs program might be doomed from the beginning.

The third reason is tactical and political. It is well known that the developing countries are suspicious of a basic needs approach. One reason is that they believe that pious words conceal a desire to opt out of development assistance. And there is no doubt that the pronouncements of some people in the developed world justify such suspicion. If an international commitment to meet basic needs within a short period is to be taken seriously by the developing countries, the contribution by the developed country must be additional and substantial. The essence of a global compact, as announced by Robert S. McNamara in Manila in 1976, is that both developed and developing countries should reach a basic understanding to meet the basic needs of the absolute poor within a reasonable period of time. Such a compact would be a sham if it did not involve substantial additional capital transfers.

FURTHER RESEARCH: TOWARDS A COUNTRY TYPOLOGY

An important conclusion from having identified the distinct features of a basic needs approach is the need for a redirection of research. It is in the areas of the technology of public services, development administration, and development politics that future work is likely to yield promising results, although economists as such have little to contribute to some of the principal problems, except work on linkages and externalities. The work should start from an appropriate country typology that distinguishes:

(1) between countries with relatively high average incomes per head, in which an emphasis on redistribution of income and assets and a redirection of social

services can make a substantial contribution to meeting basic needs, and those with very low incomes, in which growth is an essential condition for meeting basic needs;

(2) between countries whose political system encourages self-reliance and local mobilization and those that will depend heavily on external assistance;

(3) between countries with high population density and little cultivable land, in which land redistribution holds out limited scope, and those with abundant cultivable land in relation to their population;

(4) between smaller countries that can hope for growth in employment opportunities from labor-intensive exports and larger countries in which foreign trade plays a relatively smaller role;

(5) between countries in which a large proportion of the population live in the countryside and where rural development has greater importance and those with a large proportion of urban population.

Different political regimes and different administrative, technological, and ecological conditions are also relevant.

Work will also be needed on the development of systems of monitoring basic needs. Social indicators, methods of developing composite or integrated indicators (such as an extension of life expectancy to comprise the dimensions of basic needs) and their correlation with economic indicators are prerequisites for analysis and policy. Once these are available, we can assess the impact of policies on meeting basic needs.

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