The Basic-Needs Approach to Development Planning

By Hans W. Singer*

Contents

I. Increasing Emphasis on Basic Needs
II. Basic Needs and Economic Growth
III. Basic Needs and the New International Economic Order
IV. What Would a Basic Needs-Oriented Plan Look Like?
V. Markets and Basic-Needs Strategies
VI. Basic Needs and Resource Requirements
VII. Basic Needs and Intermediate Technology

I. Increasing Emphasis on Basic Needs

The basic-needs approach to development planning has moved into the foreground of recent discussion, particularly in connection with the UN World Employment Conference organised by the ILO in 1976. Intellectually, it is the result of a gathering disappointment with the small impact of GNP growth on the reduction of poverty in many developing countries. While GNP growth in developing countries overall was fairly vigorous in the "Bretton Woods" era of the fifties and sixties, of the order of 5 to 6 per cent per annum, it was all too often accompanied by increasing inequalities of income distribution — it should be clear that I am now speaking of the overall picture and not of Korea in particular. Hence not only relative poverty, but almost certainly even absolute poverty has increased on a global scale. This was also confirmed by the results of various economic models which showed that the rate of national income growth with unchanged income distribution required to raise the incomes of the poorest groups sufficiently to satisfy a quite modest basic-needs level by the year 2000, would have to be unrealistically high, to the general order of 11 to 12 per cent per annum—virtually unobtainable by most developing countries. The

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three best-known models of this kind are the Latin American Bariloche model, the World Bank/IDS Sussex Redistribution-with-Growth model, and the ILO Bacchue model. Only by building a measure of redistribution into the model would the objective become feasible.

II. Basic Needs and Economic Growth

As is generally recognised, including by those thinking in terms of GNP growth, the satisfaction of basic needs is the ultimate end or purpose of development: GNP growth is only a means towards this end. But the underlying assumption in the traditional growth approach was that this ultimate end of satisfaction of basic needs would be best approached indirectly, i.e. via growth of GNP, relying either on automatic 'trickle-down' to the needy groups or else providing the resources for a government-induced rechannelling of funds towards the needy groups. But what emerged, as a result of mounting evidence over the last few decades, is that this indirect system often does not work: the structure of production emerging from an emphasis on rapid GNP growth was usually not favourable to 'trickle-down' and even government intervention in such a system has a fatal tendency to benefit the better-off rather than the needy. So it seemed natural to consider the possibilities of tackling the problems of basic needs directly rather than indirectly. Naturally, the proponents of such basic-needs strategies in their turn recognised that the better satisfaction of basic needs required resources, i.e., economic growth, and that a simple redistribution of income from the better-off to the poor would not only be insufficient in the case of poorer countries but would also be counter-productive in mortgaging the future. So growth was not superfluous — the term 'dethronement of GNP' is quite misleading. But the relationship was reversed: instead of concentrating on GNP growth and hoping for better satisfaction of basic needs as a result, the proposed strategy was to attack basic needs directly and hope for economic growth as a result.

This hope was based on a number of factors:

(1) The failure to satisfy basic needs in terms of nutrition, education, health, etc. undermined the productivity of the labour force and thus was an obstacle to economic growth. The importance of human resources had
emerged increasingly in development analysis as well as development experience as a necessary complement to capital accumulation. The better satisfaction of basic needs could break into the vicious circle of poverty, in which malnutrition, illiteracy and disease led to low productivity, and hence low incomes while low incomes in turn became a cause of malnutrition, illiteracy and disease. The basic-needs approach suggested a way of dealing with this ‘syndrome’ character of poverty.

(2) One of the reasons for the absence of ‘trickle-down’ was the increasingly clear failure of productive employment to keep pace with the increase in population. This was largely due to the inappropriate nature (from the point of view of LDC’s) and one-sided development of modern technology, a factor neglected by those who believe that initial inequalities would inevitably give way to increasing equality as has happened in the Western industrial countries. This failure to utilize the labour forces of the developing countries fully and effectively could be readily perceived as a simultaneous obstacle to economic growth as well as to the satisfaction of basic needs.

(3) The earlier identification of efficiency with large-scale production and large-scale organization was increasingly replaced by a growing realization that for wide and crucial areas of the economies of developing countries small is not only beautiful, but also efficient. The small farmer tends to be more efficient than the larger farmer in terms of yield per acre (which is the relevant test of efficiency in land-short, heavily-populated countries); the small-scale urban producer is often more efficient in terms of yield per unit of capital employed (again, the relevant test in capital-short, heavily-populated countries). Any impression to the contrary was often revealed to be the result of discriminatory treatment of small producers. Thus a shift towards the encouragement of small producers as is involved in a basic-needs strategy could well increase the growth rate of GNP rather than reduce it. This at least was the finding for Kenya of the ILO Employment Mission, (1) which is often quoted as an example of a basic needs-oriented development strategy.

III. Basic Needs and the New International Economic Order

Emphasis on the basic-needs approach was also prompted by some external circumstances. The discussions concerning a New International Economic Order have a number of objectives, not always clearly defined or distinguished. The reduction of world poverty is clearly one of them. This objective has a special appeal to the industrial countries. The developing countries have often been rather suspicious about such external pressures which look to them either like neo-colonialist interference in their own affairs, or else like an alibi produced by the industrial countries to divert discussion away from the issue of international disparities between countries and inequalities in the world trading and financial picture. It would be a happy combination if we could achieve both a shift towards the satisfaction of basic needs—which can essentially only come from the developing countries themselves—as well as a readiness (perhaps sharpened by such a shift towards basic-needs approaches in the developing countries) on the part of the industrial countries to support the reduction of world poverty by reforms in the international economic system. But this is easier proclaimed than achieved.

Perhaps enough has now been said to explain why basic-needs approaches have found increasing attention recently, and it is time to consider some of the problems that arise when they are debated.

IV. What Would a Basic Needs-Oriented Plan Look Like?

The natural first step would be some definition of the basic needs standard to be attained, even by the poorest section of the population. This basic needs standard can be expressed either in terms of physical requirements—calories per head, housing room per head, etc.—or else in terms of income to buy the minimum requirements. Plenty of studies have now been made of minimum physical requirements and it would not be difficult to lay down such standards for a country like Korea adjusted to the specific situation and conditions of the country. If a minimum income is fixed, obviously allowance must be made for subsistence farmers and other people producing for their own consumption and also for different price levels (particularly for
food) and different requirements in rural and urban areas, perhaps also between Seoul and other urban areas. The minimum income or corresponding physical requirements would of course vary with the economic level already reached, the expected rate of economic growth and other cultural and climatic differences. It would be unrealistic to fix the same basic minimum needs standard for Korea as, shall we say, for the United States on the one hand or for Afghanistan or Nepal on the other hand.

The second step is to add to the basic needs, in terms of personal consumption and/or personal disposal incomes, the necessary public services which form as much part of basic needs as personal consumption. Access to educational facilities, including both formal education for children, as well as opportunities to attain literacy and basic forms of education and training for adults; access to health services, including both preventive and curative services; access to clean water; access to necessary means of production such as land, irrigation, fertilizer, agricultural extension services, etc. To gear public services towards basic needs is of course even more directly within the sphere of government planning than is the case with the private consumption component in basic needs. In gearing public services to basic needs attention must be paid not only to the nature of the services and the access to them by those below the basic needs line, but also to the method of financing these services. If these services are financed by regressive taxation falling mainly on the poor, then the net benefit to them from restructured public services could easily be cancelled out by the cost of these public services falling upon them. What must be calculated is the net effect of public services on income distribution taking into account the incidence both of costs and of benefits.

It has been suggested that in addition to private consumption and public services there should be a third component of basic needs including such things as local participation, the right to productive employment, and possibly also including human rights such as freedom from arbitrary action etc. I myself would prefer not to include such a third component with basic needs but to treat such important requirements as local participation, human rights, etc. as overall prior values constituting preconditions or constraints of any type of planning, whether basic needs-oriented or not.

The third step is to determine the size and concrete composition of the
group at present falling below this minimum needs standard. In the jargon of basic-needs strategies this would be called the 'target population'. This term has sometimes been objected to as indicating a paternalistic approach to the problems of the poor. But it need not carry this implication. On the contrary, a basic-needs strategy has a natural affinity with decentralized planning methods and with local participation — indeed, as already mentioned, local participation and the power to determine one's own basic needs are often included among the basic needs themselves.

It must be emphasized that it is not enough to know the total size of population which falls below the basic minimum standard, but we must also determine its composition, since the poverty problems and the appropriate methods of satisfying basic needs are very different for, shall we say, landless rural people, urban unemployed, old people without family support, farmers on marginal dry land, people with very large families, etc. But the size of the target population below the basic needs line is also a key consideration. If it is found that, say, 90 per cent of the total population is below the line, then, of course, the line has been set too high for a basic-needs strategy to be operationally meaningful. An operationally optimal basic needs standard would be one that leaves perhaps 20 to 25 per cent of the total population below the line so that planning can be specially geared to the needs of that group. To achieve this purpose the sequence can also be reversed: instead of fixing a BN standard and then investigating how many would be below this standard, we could make a policy decision to gear planning towards the needs of the poorest 20 per cent (or whatever figure is politically decided) and then see what the BN standard should be. As has already been mentioned, where even a modest BN standard would leave virtually 100 per cent of the population below it, we are obviously dealing with a very poor country with a relatively equal income distribution: in such a case a traditional growth-oriented planning strategy is needed and coincides with a basic needs-oriented strategy.

Once the basic needs standard has been set and the number and composition of people below the standard has been ascertained, a basic-needs strategy requires the establishment of a timetable: a future date by which the basic needs standards should be attained, either for everybody in the community or — perhaps more realistically for the average of the poorest 10 or 20
per cent. The timetable can be very modest, that is the date could be set in the more distant future, say, a generation ahead, perhaps the year 2010. In that case the basic-needs strategy might be called realistic. But on the other hand it might not differ significantly from a conventional growth strategy if a certain amount of 'trickle-down' is assumed and if initial inequality is accepted as the price of better standards of living in 2010. Alternatively, the timetable could be ambitious. For example, the aim would be to reach the BN standard at the end of a five-year plan. In that case the aim might become unrealistic, or alternatively, only be reachable at the expense of structural upheavals and major asset redistribution, the impact of which on the immediate growth rate cannot be foreseen. Whether a timetable is ambitious or modest does not of course only depend on the time span itself, but also on the BN standard. A modest standard with a short timetable may in fact be more ambitious than a higher standard with a long timetable; it may also be operationally more meaningful. In strict logic, a timetable, in the sense of a date by which basic needs standard is to be reached, is not absolutely necessary. It would be perfectly possible to describe the objective as the maximum possible approach to the basic needs standard without fixing a date for its attainment. However, for purposes of devising planning models based on BN strategies it is usually found necessary to fix such a date — the Latin American Bariloche model or the ILO World Employment Conference model are both based on attainment of certain defined BN standards in the year 2000 or 2010. A timetable will of course be useful in assessing what changes in productive structure are needed, what diversion of resources from other objectives is needed and at what annual rate.

The next step, obviously, would be to devise a development programme which gives priority in policies and in the allocation of resources to the measures and projects needed to satisfy the basic needs standard. This, to be meaningful, would have to include specific measures to make sure that the access of the poorer target group to the services and incomes provided is safeguarded. One of the difficulties we face is that poverty — often coming together with ignorance or inaccessibility in remote regions, or lack of transport, or suspicion of government authorities — often prevents the poor, for whom certain measures are designed and certain facilities are provided,
from having access to those facilities which then in fact benefit those less in need of them. That is part of the syndrome of poverty, and the basic-needs strategy would have to counteract this syndrome, for example, by measures of positive discrimination in favour of poorer groups, differential distribution systems, specific preferential quotas in health and education expenditures for the poorest areas or poorest groups, etc.

The provision of minimum incomes may also fail to safeguard basic needs because the recipients, from ignorance or under the pressure of advertisements or salesmanship, may in fact not spend their minimum incomes on their basic needs; in such cases the safeguarding of minimum incomes must be accompanied by consumption education, control of products or of advertising, etc. A particularly serious problem in this connection is that the allocation of incomes is by families and does not tell us very much about the distribution within the family. It is often observed that in the distribution of food within families the adult males have a higher consumption level than, say, women or children, in relation to needs — indeed in poor households, depending on the income of the adult earners or on the strength of the adult workers, such a priority is almost inevitable. In such cases additional programmes for child feeding and measures for pregnant and lactating mothers may be needed to supplement more general basic-needs strategies.

V. Markets and Basic-Needs Strategies

A BN strategy can be either market-oriented or interventionist. It is often taken for granted that a BN strategy is anti-market or interventionist, but that is too simplistic a view. Obviously, the point of departure of any BN strategy must be the structure of effective demand and the resulting structure of production arising from the present market situation, reflecting present income inequalities, is unacceptable and must be changed. But this could be done, not by destroying or bypassing the market, but by changing it so that social needs are more accurately represented by effective demand. This can be done by building up the social power and incomes of the poorer groups below the BN line, thus reducing inequality of income distribution and creating a new, more socially weighted market in which the need
for intervention would be progressively reduced. This, of course, can only apply to that section of the poor below the BN standard potentially capable of integration into the productive system, i.e., people capable of working and their dependents. It would exclude that part of the target population incapable of a productive contribution—such as orphan children or totally disabled people without family support, etc. But in a normal situation it will be found that the former category, potentially capable of integration into the productive machinery of society, represents perhaps 80 per cent or more of the total population below the BN line—hence their successful integration into a more socially weighted market system would reduce the residual problem, requiring intervention, to relatively small proportions. This combination of preserving the principle of effective market demand while modifying it by a system of social weighting is clearly the underlying philosophy of the study on a "redistribution with growth" approach developed jointly by the World Bank and the Institute of Development Studies in Sussex. (2)

Another variation of market-oriented BN strategy would be to take our point of departure from the fact that the actual market is often not a natural market but distorted by various factors and various forms of intervention, and often to the disadvantage of those below the BN line. Many examples of this were pointed out in the ILO Employment Mission Report on Kenya, (3) which has played an important role in the development of the basic-needs approach. Such examples include the artificial rigging of prices and terms of trade to the disadvantage of the small rural producer (normally poorer) and to the advantage of the middle-class urban consumer or of the modern industrial sector, perhaps through keeping food prices low; failure to be evenhanded between large and small farmers in the allocation of fertilizer or agricultural extension services could also be called a distortion of the market system; this also applies to the non-availability of equal credit facilities for large and small producers; the placing of government contracts and government orders is usually weighted against the small producer. Many other examples could be given—the point to emphasize here is that any changes in government policy in the direction of more equal treatment

(2) H. Chenery et al., Redistribution with Growth, Oxford University Press, 1974.
(3) ILO, op. cit.
of the poorer and richer sections of the community can be described as a restoration of the market system rather than its dethronement.

In its emphasis on the importance of 'getting prices right', including exchange rates, this variant of BN strategy agrees with the literal neoclassical approach. Applied to the international economy, it has often been pointed out that the need for a new international economic order arises partly, at least from interferences by the richer countries with the logic of free trade and free markets to the disadvantage of poorer countries, e.g., by protectionist agricultural policies, tariff and non-tariff barriers, the operation of the GATT clause permitting import restrictions for 'sensitive' products, the enforcement of 'voluntary' agreements, etc. This point is obviously of special interest to a country like Korea. But here, when we concentrate on internal problems, it is useful to realize that there is also an internal equivalent to this much debated international problem.

As against such market-oriented BN strategies there are of course also anti-market elements which can be emphasized in varying degrees. These include the establishment of various quotas and-rationing systems — such as the free distribution of a basic rice ration in Sri Lanka, or the prohibition of imports of luxury goods; the establishment of special preferential quotas for various supplies of goods and government services to poorer regions or other poorer groups; the establishment of a 'social' price system which is deliberately divorced from supply and demand considerations; the establishment of upper ceilings on land ownership or on incomes, or wealth, etc. As befits the status of the mixed economy which applies to most developing countries, a BN strategy developed for a specific country and to meet a specific situation will normally combine market-oriented and anti-market elements; this was certainly the case with the recommendations of the ILO Employment Mission to Kenya.

VI. Basic Needs and Resource Requirements

If the BN target is relatively modest — i.e. a relatively low BN standard plus a relatively long timetable for achievement — it may well be found that the total resources needed to satisfy such objectives are relatively modest, often surprisingly so. In rapidly growing economies, these resources could
often be found, at least in the computers and pocket calculators at the central planning office, while diverting relatively modest shares of total growth or of overall investment resources to the specific satisfaction of basic needs. This is partly because often initial inequality of income distribution in developing countries is high (this would not apply to Korea) and the incomes of the poorest 20 or 30 per cent of the population are so low that relatively minor shifts can make a great absolute and relative difference to the incomes of the poorest groups. In many developing countries annual investment at, say, 12 to 15 per cent of GNP is much higher than the annual income of the poorest 20 per cent of the population (usually much less than 12 per cent). This fact is at the heart of various redistribution-with-growth strategies. For instance the model underlying the World Bank/IDS study is based on the reallocation of investment amounting to 2 per cent of GNP, which would usually only be one-fifth or one-sixth of total investment. Similarly, the resources required for the recently proposed “International Marshall Plan” to combat world poverty, at only $10 to 12 billion annually would be almost insignificantly small in relation to, say, armament expenditures (something close to $400 billion now), and would not even bring total aid flows up to the modest and theoretically accepted UN target 0.7 per cent of GNP. On the other hand, some of these numerical models may be somewhat unrealistic. In reality, there may be some considerable ‘leakage’ in resources specifically channelled, in intention, towards the poor. The intricate linkages in the economy as well as the ‘syndrome of poverty’ already discussed may divert the ultimate incidence away from the poverty groups. Poverty-oriented investment makes tough claims on public administration and policy.

VII. Basic Needs and Intermediate Technology

It is too often taken for granted that a basic needs-oriented development strategy must be based upon a change in technological choice away from modern capital-intensive technology towards a more primitive labour-intensive technology. This, however, is a misunderstanding. Leaving aside the fact that the association of capital-intensive with modern efficiency, and the corresponding association of labour-intensive with backwardness and ineffi-
ciency, is only based on historical factors, and not on any law of nature, it should be realized that in the overall macroeconomic sense there is no such thing as technological choice. The overall technology is determined by factor endowment leaving aside external flows. In a capital-short economy, a capital-intensive technology in one sector — say, the large-scale industrial sector — must find its counterpart in an even more labour-intensive technology in the rest of the economy. In the overall sense the question is not one of choice of technology but rather one of access to capital. Capital can be fairly equally spread over the different sectors of the economy or else it can be more unequally concentrated in one or two sectors only in this sense, a BN strategy with more equal access to capital by the poorer groups represents an ‘intermediate technology’. But for the poorer groups a BN strategy means improved access to capital, i.e., a more capital-intensive technology.

Equally, it is true that a BN strategy concentrates on the small farmer and small producer generally, on the grounds that capital is more effectively used in this way when it is saturated with labour. This will normally be easier in smaller units of production, although, once again, there is nothing in nature to prevent large-scale production also from being organized on labour-intensive lines (the example of Korea testifies to this). But the inputs which the small farmer needs include such things as fertilizers, pesticides and weedicides as well as agricultural equipment, none of which are necessarily produced by labour-intensive methods.

A labour-intensive and small-scale technology is of course a convenient way for a BN strategy to build up incomes towards BN standard and thus avoid interference with the market mechanism. But it is perfectly possible to have a BN strategy in which this objective is reached by building up the incomes and purchasing power of the groups below the BN standard by means other than labour-intensive production methods. Similarly, the production of BN appropriate products — necessities of life — is not by nature intrinsically more capital-intensive than the production of luxury goods. Any correlation in this direction has been produced more by historical circumstances such as the simultaneous concentration of foreign investors from highly industrialized countries both on the production of high-income luxury goods and on capital intensive technology. If the multinationals see a chance of profitable markets among those below
the BN standard as a result of income being channelled to these sections of the population, they could apply their special comparative advantage in capital-intensive technology to BN appropriate goods just as readily as to goods for high-income people. In some ways, in fact, basic needs goods lend themselves better to larger-scale standardized production runs than high-income goods where the demand for 'differentiation' is a characteristic of high-income demand.
Comments by Prof. Ki Hyuk Pak*

I read Prof. Singer's excellent paper with much interest and admiration. However, it seems to me that the basic needs-oriented strategy is rather applicable to the least developed countries such as Sri Lanka and Kenya as he mentioned in his paper. Such a direct basic-needs approach is not quite applicable to Korea because the problem of income disparity in Korea is not as acute as in other LDC's in South East Asia.

The proportion of the population in Korea below the poverty line is relatively small or insignificant compared to other countries in this region. First of all, because the Land Reform Act of 1950 under the equity principle, with a 3 ha ceiling, successfully performed an equal redistribution of land. Thus the impact of the Land Reform Act shifted the Lorenz curve more closely to the neutral line. And socio-economic equity goal was achieved once and for all. Secondly, the Government placed much emphasis on income redistribution to reduce the disparity of income between urban and rural areas through market-oriented price policies since the early 70's.

Prof. Singer's basic-needs strategy is a major factor in the persistent economic growth in Korea. In fact, the Government is reflecting his idea of redistribution-with-growth by allocating more financial resources and by selecting appropriate technology to increase employment, enhance prosperity of the small and middle size entrepreneur and, of course, the small farmers.

Korean Economic Planning is more an outward export-oriented one rather than an inward basic-needs strategy. Therefore, I believe it is an appropriate time to study Prof. Singer's emphasis on a basic-needs approach when we plan on a long-term balanced growth timetable to meet the impending crucial issues of socio-economic equity.

I have only one question, this refers to his statement, "Small is not only beautiful, but also efficient." I would like to know how he relates this with

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the economies of scale? Because the size is so small, it is economically not viable and its income is so low compared with that of urban workers or in other industries. Therefore, in order to raise their standard of living a supplementary income is required, probably from non-farm sources. I am uncertain as to the standards he set for a farm to be classified as “small.” Of course the definition of a small farm may vary from country to country.

Comments by Prof. Sung-Ilwan Jo*

I have one question to ask and one comment to make. First, Prof. Singer has indicated that the proposed BN approach would claim about one sixth to one fifth of total investment funds in typical LDC’s. In other words, he has not mentioned his own preference about the priority of investment for the remainder of investment funds. How would he set the investment priority for the four fifths or five sixths of the total funds? How would he characterize feedback relationship between BN programs and other development programs.

Second, I am somewhat worried about the political and administrative aspects of BN approach. To change a structure of effective market demand in accordance with a system of “social weighting” implies in the final analysis a fundamental shift in distribution of political power among different classes in developing societies. The replacement of market price system with social price system would involve a fundamental change in social structure, power structure, and value system. The burden of implementing BN programs falls on civil servants in various government agencies. Inefficiency, corruptions, and frauds involved in the administration of social security and welfare programs in developed countries including the U.S. are notorious. The same will be much more true in LDC’s than DC’s.

Comments by Prof. Soon Cho**

Prof. Singer’s paper reminds us anew that economic development is a

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long-term process. Practically all developing countries are former colonies, where the basic factors of development, such as the will to economize, social institutions including habit and technology, custom of the people, education, etc., are in short supply. Development cannot occur without these factors, and these factors cannot be fostered overnight. A development planning cannot be a substitute for these basic factors.

The so-called development economics have devised many different models of development; balanced growth, unbalanced growth, import substitute industries, export substitute industries, etc. But apparently these models have so far failed and bring any good results for many developing countries. The reason why development models have been of little use is that these models are not particularly relevant in fostering these basic factors.

I am afraid that Prof. Singer’s basic-needs approach might be only one of the so many planning models. The countries which take Prof. Singer’s advice with a view to accelerate the pace of development might have to find out in a few years’ time that this model has also to be replaced by some other planning models.

Prof. Singer states that income distribution in developing countries are very skewed. I would doubt that the governments of these countries can adopt the kind of tax system which impose great tax burden to high income classes. Mr. Singer said that the financial resources that a developing country has to mobilize for basic-needs planning amounts typically to approximately 15% of GNP. If he implies that this is not a very high proportion, I cannot agree with his opinion. A country which can easily raise this much tax to meet the basic needs of the people could not be called a developing country.

I would doubt, furthermore, that the poor people whose basic needs, no matter what they may be, are met by development planning, would demonstrate adequately the will to economize. In many countries, both developed and the developing, one finds that the system of social insurance develops indolent style of life among people. I believe that there exists neither any easy road nor any short-cut to economic development.