

THE EFFECTIVENESS OF DEVELOPMENT ASSISTANCE PROGRAMS UNDER
"NEW DIRECTIONS": CRITERIA FOR ASSESSMENT

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SUMMARY

The "new directions" mandated in foreign assistance by the U.S. Congress constitute a marked departure from former, conventional thinking. Through their adoption, a strong Congressional commitment has been made to the support of Third World development strategies which focus on participation and self-enablement at the local level.

The transformation of American aid policy in the 1970s has as its background a foreign assistance approach founded in the political military fabric of the 1940s and 1950s. This "trickle-down," capital-intensive approach was pre-eminent into the 1960s, when Congress began to mandate greater support for participatory development. One interpretation of this participatory approach has taken the form of the "target" or "basic needs" school of development, which in fact more closely resembles the "trickle-down" school in its centralized and directive nature. Since 1973, however, Congress has continually reaffirmed its commitment to aiding self-help, participatory endeavors overseas and to the building of democratic institutions. The self-sustaining development that can be fostered by such a policy can also serve a number of long-term American political and economic interests.

This new approach offers a substantial challenge to U.S. development assistance programs and institutions which must meet such fundamental policy changes with concomitant and parallel alterations in the methods and mechanisms of delivering assistance. Most importantly, the criteria by which the performance of these

programs and institutions may be fairly assessed under "new directions" must reliably reflect an examination of development assistance as it relates to development processes in the field. In this regard, such programs and institutions could be judged effective to the extent that they directly support the "poor majorities" of the Third World in their attempt to build development upon the social and economic strengths which they inherently possess.

More specifically, U.S. assistance efforts might be seen as effective to the degree that they: 1) respond to expressed needs with assistance, rather than initiate development on behalf of the poor; 2) sensitively determine the appropriate type, amount, and timing of assistance to be delivered on a case-by-case basis; 3) deliver such assistance directly to participatory development endeavors in a manner which elicits local efforts and resources and does not pre-empt local control; and 4) incorporate participant self-learning in assisted projects and, in turn, base their learning and evaluation on participant understanding of their own development process. Given the catalytic necessity of assistance under "new directions," it would also follow that assisted projects form a pattern in support of broader social, economic, and institutional changes beyond the boundaries of the projects themselves.

"New directions" legislation also provides guidelines which could be used to help determine effective levels of bilateral assistance, the countries which should be recipients of that

assistance, and the extent to which that assistance can complement other capital flows. The amount of aid transferred by U.S. assistance programs might best be determined, for example, through an analysis of the absorptive capacities of local, representative development institutions. The availability of such appropriate local organizations might also establish a basis for conducting an aid program in any given country regardless of the nature of its government or the level of its per capita income.

At the same time, the potential for decentralization in the delivery of U.S. bilateral assistance appears to render such aid more capable of assisting participatory development projects than are multilateral development assistance and private capital flows. It would therefore seem that effective complementarity among these resource transfer mechanisms may be limited to the cases in which multilateral credits can be channelled to appropriate institutions and projects which have been gradually built up with the help of bilateral concessionary aid.

INTRODUCTION

The purpose of this report is to develop criteria to serve as guidelines in Congress' efforts to assess the effectiveness of foreign assistance programs vis-a-vis the purposes and goals set forth by "new directions" legislation. The criteria developed should also constitute a basis upon which Congressional determination and selection of appropriate aid programs, aid levels, and recipient countries can be made.

Section I presents the historical, theoretical, and political factors behind the emergence of the "new directions" mandate. In Section II, this mandate is interpreted in a Third World, operational context. Criteria for the assessment of "new directions" programs are suggested in Section III. Finally, in Section IV, suggestions are made regarding aid levels, aid recipients, multilateral assistance, and other bilateral capital flows to the Third World.

Section I: DOMINANT SCHOOLS OF DEVELOPMENT THEORY
IN THE UNITED STATES: THE EVOLUTION OF
SUPPORT AND CONGRESSIONAL INTENT
LEADING TO "NEW DIRECTIONS"

A meaningful assessment of an effective implementation of "new directions" in development assistance legislation requires an historical perspective on the theoretical, political, legislative, and programmatic factors that have shaped current Congressional goals and objectives. This Section will provide an overview of the evolution of development thought in the United States since World War II and of the competing political and economic interests associated with each development approach. Particular attention will be paid to the relationship between U.S. support of Third World development efforts and American foreign policy objectives and interests over the past thirty years.

This presentation is intended to enhance an understanding of both the process that led to the new Congressional mandate in development assistance and the manner by which long-term developmental, foreign policy, and other national objectives may be fulfilled through a proper understanding and adherence to "new directions" legislation. While the review illustrates the ambiguity and conflict which has existed in the pursuit of various and diverse national interests, it may also serve to demonstrate a potential commonality of interests which might be achieved through adherence to a consistent and coherent development assistance policy.

* * *

As the American political and economic role in the Third World increased following World War II, various schools of thought on economic development emerged. Most prevalent for the first twenty years was a belief in rapid industrialization through the large-scale importation of capital as the most effective means by which to develop national economies. During the 1960s, however, increasing credence was given to an approach that stressed local-level, participatory socio-economic development as both the most appropriate and promising road to long-term, self-generating and self-sustaining growth. By the mid-1970s, this perspective had found concrete expression in Congress' "new directions" legislation, which calls for U.S. support of self-help, participatory development and democratic institution-building in the Third World.

In the meantime, however, there emerged a very different interpretation of the "participatory" approach to development. The "target," "sectoral," or "basic needs" strategy, as it is alternately known, is similar to the "participatory" school of thought in that it focuses directly on the problems of the poor rather than on the engines of immediate economic growth and expansion. There the similarity ends, however, for while the "target" strategy emphasizes centralized decision-making and resource-control, and a Western definition of Third World development and needs, the "participatory" approach entails a policy of decentralization and determination by the poor themselves of their developmental objectives and course. Unfortunately, this distinction has remained clouded and has thus confused the ongoing debate on development assistance.

The Trickle-Down School of Development

The "trickle-down" school of rapid industrialization and growth defines development in macroeconomic terms, utilizing such indicators as increased gross national product (GNP), per capita income, and balance of payments surplus. It assumes that major transfers of capital and sophisticated technology will quickly modernize the industrial sector, employ low-cost labor, increase incomes and demand for new goods, and enable substitution for imports while increasing exports. Industrial production would concentrate on goods in which the country has a comparative advantage in international trade, thereby utilizing local raw materials and stimulating their production while increasing incomes in that sector, as well as in industry. Cash-crop production for export is emphasized in the agricultural sector to cover the importation costs of industrialization. Foreign private investment is encouraged as a capital transfer mechanism and as a contributor to the national tax base.

This capital-intensive development strategy found widespread acceptance following World War II as a result of the perceived threats to our national interests and security. Security threats during the War had led to the establishment of the U.S. Lend-Lease program, which set the precedent for large U.S. capital transfers overseas. This was followed by another large-scale assistance effort, the Marshall Plan, which was established by the Economic Cooperation Act of 1948. Although designed to make massive loans

and grants to help reconstruct Europe and to deter a political-military threat, the organizational and operational structure of the Plan's administering body, the Economic Cooperation Administration, has constituted the model for every development assistance institution subsequently created. 1/

This first U.S. economic development program for the Third World was, in fact, born out of perceived political-military need. The grave political situation in the Far East had given rise to the Mutual Security Program, created by the Mutual Security Act of 1951. Its economic development component was designed to utilize large sums of money to quickly build up economic structures and political allegiances necessary to fight communism. Long-term developmental goals of the people of that region were of secondary importance within this policy context. 2/

American development assistance policy has its roots, therefore, in an historical period of perceived security threats in Europe and the Third World. Agencies subsequently created to administer U.S. aid programs, including the International Cooperation Administration (ICA: 1955-1961) and the Agency for International Development, have operated under legislation patterned after the Economic Cooperation and Mutual Security Acts--despite marked changes in the international political environment.

1/Krause, Walter, International Economics, Boston, Houghton Mifflin Company [1965] pp. 531-532.

2/Ibid., p. 534

American funds for economic development overseas were reserved until 1958 for only those countries with which the United States had military agreements. In that year, the institution of the Development Loan Fund made possible economic assistance to non-allied countries, particularly politically pivotal ones such as India. The ambiguity between political and developmental objectives intensified with the creation of the Alliance for Progress in 1961 and with the establishment of A.I.D. within the State Department the same year to carry on the functions of the ICA and the Development Loan Fund.

The desire to win friends and deter enemies through the transfer of capital, technicians, and advanced technologies for the promotion of rapid modernization had as a backdrop a period of fast economic growth in the United States. When our economy receded in the late 1950s and problems developed in our balance of payments, a policy of expanded "tied aid" was established. The required purchase of U.S. goods by Third World aid recipients clearly tied U.S. economic interests -- as well as political interests -- to our support of modernization strategies overseas.

The "trickle-down" school, which embodies these strategies, has had a considerable number of supporters. Its approach requires the skills and resources that large American corporations can provide. Demand in the Third World for modern technologies and large amounts of capital, on the one hand, and the availability of low-cost labor, abundant natural resources, and new markets, on the

other, create an excellent situation for foreign investors. U.S. government guarantees and infrastructural development supported by U.S. aid are additional attractions.

Although stages of import substitution and export expansion within a policy of rapid industrialization can threaten their positions in theory, this policy in practice is in many ways also advantageous to other U.S. business interests. Rapid growth in the Third World stimulates worldwide trade, thereby increasing demand for U.S. luxury, capital, and consumer goods at various stages of development. In addition, despite the temporary protection of local markets, U.S. producers with Third World investments can trade from within those economies while taking advantage of the protection offered. Rapid industrialization also creates a demand for credits from both host-country and multinational investors. Periods of economic stagnation at home, good terms on overseas lending, and anticipated "underwriting" by U.S. and multilateral public institutions make this development approach particularly attractive to U.S. bankers.

American universities may have an interest, as well, in promoting the "trickle-down" developmental approach. Their research has generally concentrated on problems of large-scale, capital-intensive and advanced technological production, both in industry and agriculture. It thus has direct relevance to the problems of those Third World countries which have imported Western development models. Development in this form similarly creates a demand for the financing, knowledge, and skills of American aid donors. As long as the U.S.

economy remains more advanced than those in the Third World, there will always be a planning, technical, and oversight role for American experts in those countries which follow our development model.

Short-term U.S. foreign policy interests have been closely allied historically with strategies of rapid industrialization in the Third World. A country as capital-rich as the United States has an advantage in the winning of temporary allegiances of those governments with development programs dependent upon large-scale capital and advanced technological inputs. Support for such programs helps promote U.S. political and economic standing for as long as there is political stability.

The very serious shortcomings of the "trickle-down" approach when applied to Third World economies has been demonstrated by an inability over the past generation to foster equitable and self-sustaining development in those countries which have experienced a large increase in their GNPs through a strategy of rapid industrialization. Unlike Europe, which possessed the human and institutional capacities to absorb and effectively utilize at all levels of its societies the massive resource flows from the United States following World War II, most Third World governments have had to rely on a limited, elite skill and institutional base to put to use the large amounts of financing arriving from the United States.

Hence, while this strategy may stimulate economic growth in the short-run, it can in the process cause serious economic and social dislocations and leave a weak base for sustained growth and

development. New jobs may be created in new industries, but many more jobs can be lost, as a result, in competing traditional industries and crafts. Large-scale migration may be stimulated to the cities by the concentration of landholdings for cash crop production and export to pay for industrialization and by the hope for urban employment. Industrial goods are generally produced capital-intensively both for export (often by transnational corporations) and for local elites and an emerging modern industrial working class, while the resultant unemployment reduces traditional demand. Dualistic economies and societies have often developed, leaving the majority of the population without the resources, capabilities, or opportunities to participate in or contribute to meaningful development.

Billions of dollars in tax money have been spent through U.S. foreign aid programs to build up the Third World industrial base supposedly for the benefit of its poor populations. The American taxpayer has witnessed, however, what some critics determine to be a relative decline in the economic standing of the poor, as most of the benefits from aid have accrued to the more well-to-do who control the resource flows. This phenomenon is considered by some to be an example of taxing the poor here to assist the rich overseas.

The American worker may also be seeing his standing compromised by U.S. support for rapid modernization overseas. The availability of a low-cost and abundant supply of labor in the Third World has stimulated the increased transfer of American industrial production to those countries. Economic dislocations and unemployment are now

a major problem in some U.S. cities, as well as in the developing world. The transfer of American technological know-how also jeopardizes the long-term competitive advantage of U.S.-based industries and thus the future of large segments of the American labor force.

While "trickle-down" development is conducive to the meeting of short-term American economic objectives, short-term gains in resource accessibility, markets, and profits may also have destabilized the equilibrium of traditional economies and societies and fostered instability. Political changes have already cost U.S. businesses their positions in parts of Asia, Africa, and threaten them throughout Latin America. American private banks may also have seen their support of Third World industrialization undermine their own interests in the long-run. When international oil prices rose drastically, the energy-consuming nature of capital-intensive development created marked imbalances in the external payments of many Third World countries highly dependent upon outside energy sources. Hence, private banks with large amounts of essentially short-term money Outstanding in those countries are being forced to reschedule, refinance, or rely upon the International Monetary Fund or other public institutions if default is to be avoided.

Long-term American foreign policy interests have also suffered to the extent that concomitant U.S. development assistance policies have been unable to generate sustained and equitable growth abroad. The "loss" of Southeast Asia and the continually tenuous positions Latin American governments friendly to the United States demonstrate

the ephemeral nature of allegiances "bought" with U.S. capital. Support for the creation of dualistic societies, inherent in a "trickle-down" development pattern, has engendered rather than reduced political instability. Even where the United States still has the support of Third World governments, it continually runs the risk of incurring the resentment of the populace for the imposition of American values and development priorities upon their cultural, social and economic fabric.

The "Target" or "Basic Needs" School

As American assistance to rapid industrialization programs on the Third World revealed its ineffectiveness in achieving American developmental and political objectives, public support for development assistance began to decline. By the latter half of the 1960s, this sentiment, along with an increased Congressional disillusionment with our role in Southeast Asia and the intensification of American domestic problems, led to a cutback of the U.S. economic aid program. The prospect of an emasculation of the program caused developmentists to seek an acceptable alternative approach.

During the 1960s, there appeared in the legislation various elements of the participatory approach to development that were to be finally mandated coherently by the Congress in the 1970s as "new directions." Prominent among these elements were the concepts of self-help, participation, and the building of local democratic institutions that were incorporated principally in Title IX in 1966 and the establishment of the Inter-American Foundation in 1969 by the Congress.

The alternative approach that was advanced most energetically during that period was, in fact, a different interpretation of the participatory approach. This "target," "sectoral," or "basic needs" school has as its main tenet the undertaking of development by Americans for the Third World poor. Western developmentalists, as part of this approach, determine which material needs are essential for their "targets" of development assistance and then aid host-country governmental institutions in building programs which deliver to the programs' intended beneficiaries the goods and services that are perceived to be required. Planning, programming, and resource control are centralized. Small-scale production is advocated and shown to be an effective means of achieving higher productivity and greater employment, but the school makes no provision for the decentralization of decision-making and resource flows nor for the growth of local, representative institutions which can promote locally determined development. Insofar as this strategy does not entail a responsive posture in supplying aid to its intended beneficiaries and limits the involvement and options of the poor in their own development, it resembles more the "trickle-down" strategy than the truly participatory approach.

This developmental school, however, has a large number of adherents in the United States within the American aid community, U.S. universities, and business and financial concerns. Since the aid community continues to define the needs, sectors, target populations, and development itself for the Third World, it can identify

a virtually endless number of areas for "expert" research, consultation, training, and assistance by aid organizations and universities. According to critics, this has made development assistance an industry, with its own self-perpetuating nature.

In acknowledging the inability of "trickle-down" development to improve the situation of the vast majority of the Third World poor, many American businessmen now support this school of thought, as well. Critics assert that this support is forthcoming because the "basic needs" school, to the extent that it embodies a sectoral, as opposed to structural, approach, does not confront the problem of economic dislocations caused by rapidly modernizing investments. U.S. investment is presented simply as a form of capital transfer for supporting host-country sectoral programs. As sectors are identified and programmed by Western development specialists, these programs require the advanced technological know-how, as well as the capital, that Western institutions can provide.

Some traditional U.S. foreign policy interests also ally themselves with the "targeted" development approach. Although different from the "trickle-down" strategy on the surface, in practice this approach still advocates the supply of resources to central governments and thus could provide leverage for use in the larger policy environment. The decentralization of programming and resource appropriation for the purpose of fostering long-term self-sustaining development is not a primary policy objective.

The "basic needs" or "target" approach suffers from some of the same problems in the field as do rapid-growth strategies. Most

importantly, its dependence upon centralized planning and programming leaves its practitioners far removed from the daily realities, concerns and aspirations of the "target" population. Because of their particular focus on the poor's problems, however, the implementors of this policy can impose the will, interests, and beliefs of outsiders more directly upon poor communities than do those carrying out a "trickle-down" development policy.

As long as aid flows through elite-controlled channels, it is far more likely to support their interests than those of the intended beneficiaries. Furthermore, the aim of improving the lot of the poor from a centralized administration (as opposed to administration by the poor themselves) is a very costly proposition and does little to foster a capacity for self-sustaining development among the poor.

In addition to the problems that the "target" approach in development and development assistance present to the Third World poor, the strategy also has some shortcomings from a strictly American viewpoint. American taxpayers, for example, are asked to channel large sums to often unrepresentative governments and inefficient bureaucracies for the purpose of satisfying the "basic human needs" of their "poor majorities." Even within the United States this task is enormous. Many would argue that the poor must initiate their own development if there are to be available the human resources required to undertake such an ambitious effort in needs satisfaction.

The American worker and local businessmen find disadvantages in this development approach, as well. As long as economic decision-making is centralized, production for local needs is difficult to ensure. A common result has been national economies which are geared to production for export and which attract U.S. investment with the availability of low-cost labor. Hence, the positions of both American-based industries and their work forces may be jeopardized.

Long-term American economic and foreign policy interests may likewise not be best served by this approach. As long as development resources are utilized by government institutions in Third World countries in which economic dualism is accepted, only a limited impact can be expected upon the situation of the poor. A "basic needs," sectoral program, centrally administered, is unlikely to attain its goals without enormous resource flows. Thus the probable result, contend some development analysts, is unrealized promises and expectations with a consequent generation of frustration and political instability.

The "Participatory" School of Development

In 1973 the U.S. Congress produced legislation that represented a marked departure from the centralized approaches advocated by the conventional development schools. In mandating support for participatory and self-help efforts and democratic institution-building in the Third World, it identified itself with the core elements of the process of self-development or what might be called the "participatory" or "self-directed" school of development.

This school of development is different in kind from the previous two in that it is concerned with who directs a process of development. Dynamics of change are of more importance than quantitative measures or indicators. The assumption is that self-generating and self-sustaining development and growth can only be achieved if there is large-scale human resource development -- in terms of managerial and technical skills, self-confidence, awareness, etc. -- among the poor themselves through their active participation in and direction of their own development. They should be agents rather than objects or "targets" of development. Their "basic human needs" cannot be defined by outsiders, neither sectorally nor in physical terms alone. Self-definition is seen as an essential element of self-development. Self-determination and self-satisfaction of "basic needs" are viewed both as ends in themselves and as essential in the initiation of long-term, sustained change.

According to the participatory school, intended beneficiaries should play the principal role in project identification, design, implementation, and evaluation. These initiatives are seen to spawn other self-help efforts and eventually organizations which are representative of the people involved and responsive to the requirements of their endeavors. Democratic institution-building is at the heart of this approach. Such institutions serve the development interests of the poor, leverage and channel national and international resources, and lay the basis for and stimulate a widespread pattern of self-development. Appropriate foreign assistance -- in terms of form, amount, and timing -- to these initiatives and institutions

are viewed as essential, particularly where national resources are not available. Self-sustainment is seen as attainable through this approach because development is interpreted as more than purely economic, having its roots in and strengthening the cultural and social fabric. Hence, the nature of development assistance must reflect this diversity of development contexts and the appropriate pace and resource needs within each.

There exists a commonality of long-term interests served by the self-development approach as it is embodied in the "new directions" legislation. This approach offers the Third World poor, for example, access to resources for development endeavors that they define and implement themselves, rather than tie their futures to decisions made by centralized planning agencies. Beneficiaries' direction and involvement in their own development also add significant human resources to the Third World development effort. This reduces demands upon the U.S. taxpayer, whose dollars go much further and with far more effectiveness as he more directly assists the poor in their own efforts. Americans have expressed their desire to give aid if it reaches the poor. The self-development approach is ideally suited for meeting this objective, as well as being highly cost-effective in the long run, due to administrative decentralization.

The interests of American labor can also coincide with the objectives of this development school. Industrialization in the Third World under this approach is based upon local skills and resources. It is a deliberate process aimed at satisfying localized

domestic consumption and employment needs first. The role of U.S. direct investment is limited in this context to the extent to which corporations can help meet these development objectives rather than simply utilizing the Third World as a low-cost production base for sales to the U.S. market. Adherence to this development policy could thus have the effect of curtailing the movement of U.S. production facilities overseas and, with it, American jobs.

Critics contend that the current practices of U.S. corporations often antagonize some Third World governments, cause their expulsion (the cost of which is often absorbed by the U.S. taxpayer through, for example OPIC.), or contribute to economic and political instability which undermines their very position overseas. The self-development approach, while not conducive to a significant contribution by U.S. businesses in its first stages, could produce mature and stable economies, with increased consumer demand, which could in the longer term require the technology, technical assistance, capital, and other resources of U.S. corporations. At these later stages, Third World governments could also be in a position to negotiate on a more equitable basis for corporate inputs. These mature economies, with the resources for long-term growth, may, in addition, provide lending opportunities to American banks under more stable conditions, taking the underwriting burden off public financial institutions and the American taxpayer.

Support for the development of a strong and viable economic and political base for sustained and equitable growth is also consistent with the goals of a far-sighted American foreign policy.

The past generation has seen the U.S. government use its development aid for short-term political purposes, funding governments which often have been unwilling or unable to generate self-development among their poorer populations. In the process, the United States has lost allies in Southeast Asia and fears the loss of allies throughout Latin America, where the "trickle-down" development strategy has so exacerbated conditions of economic dualism and popular discontent that repression is now frequently seen to be a political necessity.

The worldwide image of the United States as a promoter of democracy has been badly tarnished. Rather than directly help build democratic institutions in the Third World, its development assistance program has funded central government agencies with the hope that they will foster instead of impede the building of representative structures at the local level. American long-term relationships with the Third World, as well as U.S. national security, may well depend upon the ability of the United States to help at this level both in the creation of such institutions and structures and in the fostering of a development process which, founded in the goals and directions of the poor themselves, offers the best promise for eliminating the discontent from which political instability stems.

To the extent that American development assistance policy and programming support participatory, self-defined modes of development overseas, there may also be a profound change required in the role of universities and the aid community in general. Instead of

primarily exporting Western development models and technical expertise, these development centers would focus on learning from the development experiences of Third World peoples. This could both facilitate the provision of more appropriate and relevant assistance overseas and provide a channel through which important new knowledge developed in foreign contexts could be applied to the solution of intractable social and economic problems in this country. For those institutions which have the vision and flexibility to reorient their approaches in this fashion, there is a major and significant role to be played.

Section II: OPERATIONALIZING CONGRESSIONAL
 INTENT IN "NEW DIRECTIONS"

The "new directions" mandate, in the form of amendments to existing legislation, addresses many basic aspects of development assistance. These include specific goals and objectives, numerous development sectors and functional areas, methods of implementation, and levels of appropriation. In particular, it highlights three critical development sectors: food and nutrition; health and population; and education and human resource development. These sectors, however, are not offered as sufficient, all inclusive parameters of development. Rather, they are functional guidelines for establishing development policies and programs among the "poor majorities." The policy framework of "new directions" extends through all functional areas of development assistance, and includes specific attention to women in development, intermediate technology, and the growing role of private voluntary organizations (P.V.O.s) and universities in implementing "new directions" programs.

The Meaning of New Directions
In The Third World Context

Two major interpretations have arisen regarding the implementation of "new directions." The "trickle-down" and "basic needs" schools hold that it entails reaching as many people as possible through a centralized channeling of inputs. This implies planning on regional or national bases with the expectation that the assistance provided will ultimately have a positive impact at the local

level. Others contend that "new directions" more accurately entails concentrating assistance directly on specific participatory endeavors in a catalytic manner, eliciting local resources and involvement with a view toward project self-sustainment and replicability in other development settings.

The latter position clearly holds upon examination of the legislation itself, as the first interpretation essentially translates "new directions" into a welfare concept or approach, which has never been the intention of the U.S. foreign assistance program. Most basically, "new directions" was born out of the realization that sustained and equitable patterns of development have not been achieved through large-scale, centralized assistance mechanisms, and that the United States can therefore best assist the development process overseas through a more problem- or situation-specific and decentralized "sharing" of its resources. The underlying and fundamental concept behind this approach is that development is inherently a socio-economic process which must be determined and undertaken by the people themselves, as it has been in Western societies. Attempts to assist the process of self-development are therefore now seen as most appropriate when they are based upon the realization that outside assistance may at best be catalytic and supportive, while remaining only one variable in that process.

This signals a marked departure from former thinking. Our greater understanding of development as a self-initiated process has mandated a responsive approach of support, directed to self-initiated

field endeavors. More than ever, emphasis is placed on promoting the processes of social development, i.e., the development of the human resource and organizational capacities needed to understand, adapt, control, and carry out the economic and technical aspects of development per se. In this regard, great emphasis is placed on the strengthening of public and private democratic development institutions. This is particularly important, as such institutions are the key link between the donor and the poor and as such are the vehicles of initiation, participation, and self-sustainment in the development process. On a policy level, therefore, democratic and participatory mechanisms are now promoted as part of a general policy of support for broad-based socio-economic and institutional changes needed to provide greater socio-economic opportunity to marginal populations.

When translated into support of field projects, "new directions" has direct applicability and relevance to the lives of the "poor majorities." In the education area, projects might now, for example, concentrate upon the revitalization of formal curricula to relate to the specific social, economic, and environmental needs of localities. Non-formal education, such as literacy or agricultural training, would be functional (i.e., not strictly academic) and structured to complement and improve capacities related to everyday social and economic activities.

Localized endeavors would also be the focus of food and nutrition programs, with self-sufficiency in food production a major goal.

This might entail, for example, assistance in improving traditional technologies, providing capital for revolving loan funds, and support for the development of local, rural associations which can help attain needed farm and off-farm services. Support might now be extended in those areas which local populations feel are important for their needs; this could include the production of staple crops for local consumption rather than cash crops targeted for the export market.

Health and population programs would now likewise be rooted in the community wherever possible. Active local participation can be key to these efforts, and training would most appropriately be concentrated on the upgrading of local practitioners and health institutions, as is being done in some countries, rather than on the importation of overly sophisticated models of medical practice and technology. Local control of health systems would now be enhanced through supporting appropriate localized institutions. Relating family planning programs to the individual's sense of economic and social well-being is an additional example of potential, long-term effectiveness in programming aid under the "new directions" mandate.

Section III. THE IMPLEMENTATION OF ASSISTANCE
PROGRAMS UNDER NEW DIRECTIONS:
CRITERIA FOR ASSESSMENT

Since the provision of assistance is but one element in what should be a self-undertaken process of development, no valid analysis of assistance programs can be carried out without continual reference to development in the field. This is especially true in any analysis of assistance under "new directions," as legislative intent is now clearly one of complementing indigenous development efforts in the Third World.

These considerations are of obvious importance to both the conceptualization and elucidation of criteria, or standards of assessment, by which the performance of U.S. development assistance programs may be fairly judged. While the focus of this section is on standards by which to assess such programs, these criteria will be presented more specifically in terms of the relationship between these programs and Third World development processes.

This relationship will be expressed through: (1) delineating the principal stages of both the development and development assistance processes; (2) matching these distinct stages in parallel fashion; and (3) demonstrating the interrelationship between the field process and the assistance process at each stage. Criteria for assessment will be abstracted from each phase of the process.

Within this framework, the development process may be viewed as consisting of three distinct parts or stages: (1) the identification and articulation of needs to be met and the formulation of plans to

meet such needs; (2) the implementation or execution of projects and programs to fulfill these needs; and (3) a learning process through which participants acquire knowledge, understanding, and specific skills which can be used to further their own development.

These functions have their counterparts in the following aspects of the development assistance process: (1) the identification and selection of programs and projects to support, whereby the donor responds to expressed needs; (2) the delivery of assistance, whereby aid is provided for the implementation of projects, and (3) the evaluation of projects, whereby the donor agency seeks to determine the effectiveness of both the projects it supports and its own methods of supporting them.

This correspondence in function may be simply presented as follows:

<u>Development Process</u> (Field)	<u>Development Assistance Process</u> (Donor Agency)
1. Needs Articulation and Project Planning	Project Identification and Selection
2. Project Implementation	Delivery of Assistance
3. Learning Process	Evaluation

Criteria for Assessment

The format of the presentation in this section has been designed with clarity in mind. Thus, instead of presenting extended discussions, short statements are made which relate "new directions" policy to each of the operational stages outlined above. These statements will be followed by criteria that correspond to the policy remarks which precede them.

A. Project Identification and Selection vis-a-vis Beneficiary Needs Articulation

Point 1.

Development is essentially a problem-solving process whereby unmet needs represent problems which must be identified, articulated, and then solved. Planning to meet needs is, simply put, the outlining of a solution to problems. The proper identification and articulation of needs, along with an appropriately formulated response with assistance to meet such needs, thus constitutes the most basic and important step of the development process. Misjudgments made at this stage (i.e., in assessing needs, selecting projects, and determining means of support) are usually uncorrectable.

Most effectively, the meeting of needs involves attacking the causes rather than the symptoms of problems. In this regard, "new directions" identifies the exclusion of the Third World poor from the development process as a major cause of underdevelopment, for its most basic mandate involves the promotion and elicitation of the meaningful participation of these marginal populations in that process.

The wisdom of this approach is evidenced by concerns of social justice and practicality, for local commitment is perhaps the most essential factor in the fostering of self-sustained development, and authentic commitment is in turn most appropriately fostered through meaningful participation. Simply put, "new directions" recognizes the fact that the most appropriate solutions to

problems will arise from, and be best implemented by, those mostly directly affected by the problems at hand.

Effective and meaningful participation in development begins with the articulation of needs by intended beneficiaries and requires their ultimate control over the process of planning to meet such needs. This point is essential, for, in practical terms, the mechanism of participant control guarantees the presence of a number of factors crucial to success. They include: a local commitment to the long-term goals of the project itself; an appropriate "fit" or adaptation of economic and technical innovations; an appropriate (self-determined) distribution of economic and social benefits; a broad-based sharing of formal and informal project-related learning experiences; and reduced administrative costs through decentralization and local-level skill development.

Under "new directions," participation is not a "sectoral" or "functional" element of development. Rather, it is the basis of an integrated approach to both development and development assistance.

Criteria. U.S. development assistance programs and organizations could therefore be judged effective to the extent that they:

- a. focus upon the promotion of programs and projects which clearly demonstrate central elements of beneficiary participation in, and direction of, development processes. These processes would include the identification of needs to be met, the establishment of methodologies by which to meet expressed needs, and the

implementation of projects themselves. In accordance with this criterion, projects supported by American foreign assistance organizations should first of all display concrete and democratic participatory mechanisms. Hence, project selection criteria of a technical nature, though important, would not be the primary consideration in the choice of projects to support.

b. approach the identification of projects in a responsive rather than initiatory manner. In this perspective, once the element of participation is verified the actual expression of needs to be fulfilled and the means of fulfilling them would remain primarily the responsibility of the beneficiaries and not that of foreign assistance organizations. U.S. development assistance organizations and agencies would therefore be expected to play only a minimal role in identifying and designing projects. Their most appropriate posture would instead be one of responding to requests for assistance from indigenous organizations and institutions.

c. institutionalize direct contact by U.S. program officials with local-level and intermediary organizations to verify participatory mechanisms and directly assist in assessing needs.

Point 2.

Increasingly, the overly centralized and inflexible patterns of modernization -- reinforced in the Third World by conventional

foreign assistance programming and private investment -- have served to delimit the options of the "poor majorities" to either negotiating their survival in the "modern sphere" or remaining desperately poor. Being ill-equipped to successfully compete for the material benefit of a modernization process insufficient in its scope to support their growing numbers, and being severely limited in their access to productive resources, the world's poor face a dilemma of increasingly critical proportions. A central challenge to "new directions" in foreign assistance must therefore involve the expansion of options to this segment of the world's population, so as to provide the poor the real possibility of satisfying their needs through a self-initiated process.

There are two major strategies by which this central aspect of "new directions" can be successfully translated into action. The first involves the influencing of policy decisions in the Third World toward greater social and economic equitability. The second involves direct support to projects and institutions which inherently promote social and economic change. Given that foreign assistance is but one factor in the development process, both of these strategies are consistent with Congress' mandate that resources be allocated in a manner which complements policy and programmatic activity in the Third World in support of broader social, economic, and institutional change.

Criteria. U.S. development assistance programs and organizations could therefore be judged effective to the extent that they:

a. assist projects which, in turn, form a pattern in support of broader, structural changes beyond the parameters of the particular projects themselves. In this sense, assisted projects would in large measure address broader issues such as income distribution; continued access to resources by the marginal populations; increased learning, confidence, and self-esteem among beneficiaries; and the ongoing institutionalization of participation by the poor in decisions which affect their lives. This consideration should become an integral part of project selection policies, as isolated endeavors receiving limited assistance cannot be expected to impact on entire social and economic systems.

b. support innovative, participatory projects whose methodologies may be transferable, through natural communicative processes, to other development settings. Given the limited potential impact of direct project support, replicability provides the most efficient and effective multiplier factor in expanding development options and opportunities among the poor in the Third World.

c. condition the provision of assistance to large intermediary institutions, including central government agencies, upon the willingness of these entities to promote broad and systematically equitable development policies and programs. Adherence to this criterion would require a commitment on the part of governments to strengthen or establish mechanisms

through which the "poor majorities" could affect decisions related to their own needs.

d. support the emergence of locally organized and controlled development institutions throughout the Third World. A generation of experience in development has demonstrated the inefficiency and ineffectiveness of most large national and international intermediary organizations in promoting "self-development" endeavors at the local level. Continued, long-term reliance upon such intermediaries may, in fact, be counterproductive to the goals of self-directed development among marginal populations. On the other hand, locally controlled development organizations may represent the only feasible means through which the poor can effectively plan and initiate their own development processes.

Point 3.

The diverse requirements of projects supported under "new directions" signals the need for maximum flexibility in assistance programming. Whereas under more conventional guidelines bilateral assistance has been delivered on a larger scale and through centralized mechanisms, the effective implementation of current legislation involves decentralizing the delivery of our assistance in order to reach numerous and forceful self-development endeavors and institutions and respond effectively to the expression of diverse human needs. Decentralization is further impelled by the fact that the needs of these local participatory development endeavors vary

greatly according to region, culture, project type, relative level of sophistication, and physical environment.

Criteria. U.S. development assistance programs and organizations could therefore be judged effective to the extent that they:

a. reliably analyze projects and project backgrounds in each case to determine the project's potential to meet the distinct needs of both the particular region and the project beneficiaries. Such analyses would include specific reference to such factors as:

- (1) the participatory mechanisms of the organization or project in question;
- (2) the institutional linkages with the broader socio-economic system enjoyed by that institution, particularly in terms of its real or potential authority to leverage increased access to necessary resources at the international, national, or regional level;
- (3) the feasibility of the technical and organizational aspects of the project per se, in terms of the socio-cultural (ethnographic) orientation of the people to be involved;
- (4) its potential for achieving self-reliance and self-sustainment;
- (5) its potential for promoting self-learning among participants; and

(6) its ecological soundness, in relation to the immediate ecosystem.

b. render a thorough account of distinct program factors which may have a negative impact upon local populations as a result of ill-planned endeavors. Such impact analyses would specifically include assessment of:

- (1) possible economic and social dislocation (e.g., displacement of traditional jobs and industries by new economic activity; the destruction of homes and traditional agricultural lands by urban and rural construction projects; etc.);
- (2) the possible concentration of land holdings brought about by the effect of new infrastructural projects on land value, speculation, and taxation;
- (3) the possible exacerbation of imbalances in wealth and power within traditional communities through channelling funds to narrow-based endeavors; and
- (4) other possible damage to the local community, cultural, and environmental fabrics.

c. assign field staff who are well-experienced at the community level in the Third World to directly identify and assess requests for support. Often the most crucial factors in assessing local endeavors must be discerned intuitively rather than intellectually. Such factors would include, for example, the true level of commitment to the project within the community, the degree of representativeness of the organization, and the quality of project leadership.

The assessment of such factors is an experiential and not an academic exercise. This criterion emphasizes "on the ground" experience, rather than technical and academic training as the primary credential of those involved in project identification and selection.

d. utilize decentralized decision-making processes in project selection. Given the specificity of factors, details, and, consequently, the assessment of participatory projects, centralized decision-making, far removed from the field runs the risk of unreliability. Thus, decisions upon project support might best be made as close to the immediate setting as possible, and by competent and well-experienced staff to whom sufficient authority is delegated. It would also follow that the overall structure of our development assistance agencies display measures of decentralization congruent with the specific assistance requirements of "new directions" in all stages of the development assistance process.

B. The Delivery of Assistance vis-a-vis Project Implementation

Point 1.

Self-development should, of course, be self-implemented. Formerly, projects receiving our aid were supplied with relatively high levels of capital and technical and personnel assistance. Basic responsibility for the implementation -- and eventual success -- of projects was believed to rest more with donor and intermediary

entities than with the participants themselves. While short-term technical and economic success was achieved in most cases, this success was not matched by the inherent adaptation and diffusion of economic and technical innovations by and among local populations which are required for long-term self-sustainment. Furthermore, sustained personal commitments to essentially foreign phenomena were not forthcoming.

"New directions" -- in line with current development theory -- is based upon the understanding that the responsibility for defining, implementing, and maintaining a course of development rests squarely in the hands of developing nations and peoples themselves. Correspondingly, we have come to understand that if self-sustained betterment in the quality of life among those most in need is the legitimate goal of development (as is expressed in "new directions"), effective development assistance is more essentially a matter of quality than quantity. That is to say that the manner in which the essential factors of development are transferred and then accepted and adapted by beneficiaries is as significant to success as the transfer itself.

Thus, while conventional assistance has been understood mainly in terms of quantity and gross economic indicators, "new directions" is best understood in such terms as "appropriate means of channelling" and "the timing of assistance." While the "poor majorities" of the Third World certainly share in the desire to better their own lives, only recently -- under "new directions" -- has the

United States become committed to extending assistance "appropriately suited" to enabling the poor to determine the course and pace of their own development.

This intention offers a central challenge to development assistance institutions and programs. While conventional development has "aided" by the "laying over" of Western-styled modernization upon usually traditional societies, operationalizing current Congressional intent now involves the sensitive extension of support to Third World populations in their attempts to build development upon the traditional social and economic strengths which they inherently possess.

Criteria. U.S. development assistance programs and organizations could therefore be judged effective to the extent that they:

a. deliver assistance on a "hands-off" basis which appropriately complements ongoing or emerging self-development endeavors in the field. In this perspective, assistance is non-directive and delivered in response to specific requests from local development endeavors, rather than being initiated by U.S. assistance agencies. Accordingly, the acceptance or initiation of any role central to a determination of the outcome of assisted projects would not be consistent with this criterion.

b. channel assistance directly to the poor through democratic development institutions whose roots extend into the local community fabric. Since assisting self-development through centralized mechanisms has limited sustaining potential,

U.S. development financing should increasingly be seen to favor local-level endeavors, rather than indirect, large-scale programs and projects. Thus, under this criterion, greater numbers of smaller grants and loans would replace larger, less numerous capital outlays.

c. assist local groups in gaining the resources and leverage necessary to control their own development processes. The fostering of local self-reliant development can break dependency relationships, including reliance upon foreign capital assistance.

Point 2.

Assistance being provided directly to self-development efforts with catalytic intent must be appropriately suited to specific local settings and projects. This entails correct determinations of the types of assistance to be provided, the appropriate levels or amounts of assistance extended, and the timing of the delivery of such assistance.

Emerging development endeavors and institutions, for example, do not usually require large amounts of financial assistance but they do need it quickly and in proper combination with other inputs if they are to survive and grow. In all cases, overfunding of projects is a constant problem, since the over-availability of external resources can quickly sap continued commitment to self-reliance at the local level and alter the relationship between the institution and its constituency.

Criteria. U.S. development assistance programs and organizations could therefore be judged effective to the extent that they:

a. exhibit sufficient flexibility, in terms of both structure and function, to reach numerous and diverse local development endeavors quickly and with appropriate types of assistance. The decentralization of assistance processes per se will not serve to increase development options among marginal populations unless smaller, more adaptable packages of assistance can be delivered before self-initiated endeavors wither and die due to lack of support. The delivery of such support requires the ready availability of a diverse arsenal of financial, technical, and personal assistance mechanisms. Most importantly, this criterion would require that these mechanisms be utilized in response to specifically determined needs and not in an inflexible, pre-programmed or pre-planned manner.

b. extend financial support at levels which reflect, in all cases, a reliable determination of the absorptive capacity of the project or institution in question. Often, viable participatory organizations at the regional or community level in the Third World lose vital, democratic characteristics through overly accelerated growth and technical diversification beyond the grasp of local participants. Under this criterion, effective assistance would complement ongoing activities without overwhelming them with financial or technical support.

c. base the provision of assistance upon a reliable determination that (i) local resources are being mobilized to the maximum extent possible in support of the project or program in question, but (ii) such resources are not in fact sufficient to fully provide for the execution of the endeavor. Under this criterion, an examination of assisted ventures should reveal significant matching contributions -- either material or "in-kind" -- on the part of local participants to assisted projects. This determination would also take into account national resources external to the project or community in question but necessary to the sustainment of that project. It would follow as well that foreign assistance help provide the means by which project participants can gain access to other necessary financial and technical resources and services.

Point 3.

Although the provision of technical and personal assistance particularly in the areas of management and technical training remains crucial to the process of self-development, "new directions" compels a reconsideration of the purposes for which, and methods by which, those types of assistance are proffered. Technical assistance in the conventional aid framework has usually been taken to mean the direct exportation of technical information, hardware, and personnel to the Third World. The direct results of this exportation process have usually proven to be short-lived but also disruptive in many cases, especially those involving traditional populations.

"New directions." in recognizing the non-sustaining and often disruptive results of our former approach, specifically mandates the promotion of "intermediate" technological assistance. This approach emphasizes the building upon, rather than substituting for, local skills and resources. It therefore follows that the main thrust of technical assistance must now be one which complements inherent technical capacities.

Criteria. U.S. development assistance programs and organizations could therefore be judged effective to the extent that they:

a. place the responsibility for the planning, control, and execution of the technical aspects of development squarely in the hands of beneficiaries. Where external technical assistance is required, participants are in the best position to assess and select its most appropriate source, either locally, if at all possible, or externally. Accordingly, U.S. assistance in this area as well would remain responsive to technological requirements as expressed by project participants, supplying information and offering technological options upon request.

b. plan and deliver technical assistance -- including the the introduction of technological innovations at local levels -- in a manner which is both complementary of and congruent with cultural, economic, organizational, and technological factors in place at the local level. Assistance in this regard should thus be specifically designed to complement and build upon existing knowledge, resources, and technologies. The provision of technical assistance, therefore should not constitute a process in which local -- especially traditional -- communities are

encouraged or required to accept technologies not directly adaptable to prevailing social and economic activities.

Such planning and analyses should also thoroughly address the possibly negative impacts made upon the communities in question by the introduction of inappropriate technologies.

c. assign directly to development projects, upon beneficiaries' request, technical or managerial advisors who are qualified both technically and interculturally. That is, such personnel, while being technically competent, should also exhibit skills and experience in local languages and cultures as some indication of sensitivity and respect for the people involved in the assisted projects. Experience in the Third World clearly has demonstrated that the qualities of sensitivity and commitment -- though difficult to assess -- are critically important in personally fostering self-enablement among developing populations through non-directive assistance.

C. Program and Project Evaluation vis-a-vis
the Learning Process

While the necessary and important processes of learning on the part of participants in development, and project and program evaluation on the part of donor agencies, are similar in logic and function, little attempt has been made to relate one to the other. "New directions," through its focus on the importance of self-learning (in terms of both concrete skills and enhanced participant

understanding) has provided a basis for linking these two essential processes.

Conventional learning and evaluation by Western developmentalists has emphasized the analysis of inputs, outputs, and gross economic indicators through the utilization of lengthy and expensive ex post facto, hypothesis-testing techniques. The complexity of this process has precluded a high degree of involvement among project participants in both the selection of evaluative criteria and in the implementation of the learning process itself. This situation has engendered considerable chagrin among many Third World developmentalists, who increasingly complain that the learning process in the development field is principally a means of putting more books on Western shelves.

While consideration of project output remains important, a valid understanding of self-development under "new directions" impels the examination of the process which lies between inputs and outputs -- that is, the dynamics and self-generating factors of development itself. Since development is a human process, new knowledge and understanding of its dynamics must be based upon the experience of those most directly involved. Thus, the meaningful participation of intended beneficiaries in self-learning and evaluative processes is of crucial importance both to their own development process and to external attempts to understand that process and more effectively support it.

Criteria. U.S. development assistance programs and organizations could therefore be judged effective to the extent that they:

a. incorporate participant learning processes as integral and continuous components of assisted projects at each of their stages: from the identification and articulation of needs through to planning and implementation. In this sense, learning mechanisms would be specifically designed and adapted to local situations and projects, but in a consistent, simple, and logical manner. For example, an evaluative system could simply be based upon the meeting of project objectives (or simply what is to be accomplished) which have been articulated by the participants in the planning process. Basically, such a learning process could be established upon the following set of questions: Are we accomplishing what we set out to do? If so, what factors -- both internal and external to the project itself -- would seem to account for this? If not, what went wrong?

b. carry out research and evaluation activities which proceed from and are based upon the learning experiences of project participants in the field. This would apply to efforts undertaken by the agencies to determine their own effectiveness in delivering assistance, as well as to attempts to further understand the essentials of the development process.

c. support the establishment of direct and continued contact between Third World and U.S. researchers, program and project participants, and other developmentalists. This would serve to

facilitate a two-way learning process and enrich the quality of both Third World development policies and programs, and U.S. foreign assistance programming.

Section IV. AMERICAN AID FLOWS: SUGGESTIONS FOR
DETERMINING AMOUNTS, RECIPIENTS,
AND COMPLEMENTARITY WITH
OTHER CAPITAL TRANSFERS

This section addresses specific considerations which are related to the assessment of the U.S. foreign assistance program but which do not fall within the development process outline of the previous section. Consideration will be given here to: (1) appropriate aggregate levels of foreign assistance; (2) the selection of countries to assist; (3) bilateral and multilateral assistance; and (4) bilateral assistance and private capital flows.

Appropriate Levels of Foreign Assistance

Within the context of the programmatic criteria outlined in the preceding section, it would appear that consideration of the appropriate channelling and timing of assistance is more critical to the effectiveness of the aid delivered under "new directions" than is the level of assistance appropriations per se. In remaining consistent with the intent of the legislation, the levels of our foreign assistance might best be determined on a country-by-country basis in response to the pace of institutional growth within each nation, or more precisely, in relation to the estimated absorptive capacities of effective, participatory development institutions in the Third World. The effective implementation of "new directions" might therefore present the short-term possibility of more meaningful development with perhaps less appropriated assistance. However, the long-term growth of democratic groups and institutions

promoted by our financial, and perhaps technical, aid could eventually warrant increased assistance.

In establishing aid levels in accordance with the absorptive capacities of implementing organizations and their programs, it should be kept in mind that too much money too fast can kill fledgling endeavors. On the other hand, relatively small amounts of seed capital supplied to emerging groups and projects can help establish a basis for the growth of administratively competent and financially responsible representative institutions. This may entail a lengthy process and intermittent, well-timed financial support on route. In the end, however, a development assistance strategy which concentrates upon funding of this nature could well be helping to create not only new structures which incorporate the poor into basic decision-making, but also distinct organizations which can effectively absorb and utilize relatively large amounts of money, often on non-concessionary terms, in executing meaningful development programs. Furthermore, the combination of a strategy of decentralization and enhanced administrative competence at the local level can significantly reduce the costs of development programs.

Such an approach could well find support among the American people, who have expressed their willingness to underwrite an aid program that channels assistance directly to intended beneficiaries. An awareness of bureaucratic waste, local corruption, and political expediency has made the U.S. taxpayer reticent about supporting foreign assistance at even current levels. On the other hand, a

gradual escalation of funding, beginning at modest levels in support of the growth of local democratic institutions, appears to be an approach -- consistent with "new directions" legislation -- which effectively addresses these issues of public concern.

Selection of Countries to Assist

With its focus upon local-level development and appropriate institutions, "new directions" legislation has also established guidelines for selecting countries for inclusion in our foreign assistance program. Whereas central government competency, goodwill, political leaning, and, most recently, human rights record, have been major criteria in country selection, the availability of appropriate local institutions which can carry out development effectively and democratically would appear to be a more practical factor in this determination. These organizations may be either public or private, though it is questionable whether public agencies of repressive governments can democratically execute development programs.

This approach is useful for dealing with three sets of countries which have been subjects of debate regarding their eligibility for U.S. aid. These include human rights violators, politically "unacceptable" nations, and middle-income countries. All have been the target of U.S. aid cut-offs or denials. Congress has continued at the same time to express its concern for the poor and needy within those societies, recognizing the need to provide them with assistance despite the nature of their governments and the relative wealth of

their economies. By selecting particular institutions as channels for assistance and basing judgments about country funding upon their individual effectiveness in program execution, this problem might be circumvented.

New criteria can be established consistent with "new directions." Private institutions in those countries that have a repressive government might be attractive conduits of assistance, particularly if they are effectively promoting democratic development in a hostile environment. At the same time, the receipt of aid by such institutions would not impute political acceptability to national governments distasteful to large segments of the American people. Finally, many private and public organizations in the wealthier of the developing countries might prove to be acceptable and important channels of assistance to the extent to which they concentrate on helping the lower economic strata of the population who suffer in poverty despite rising national per capita incomes.

In fact, special attention might be paid to these countries, situations, and institutions. In middle-income and politically repressive countries, private, representative development organizations may be the only force which can break through rigid socio-economic structures and further the rights and interests of the poor. Contrary to current practice, therefore, development assistance might only be denied to those countries in which such appropriate institutions cannot be found.

Multilateral and Bilateral Assistance

The increasing emphasis upon the multilateral development banks as principal conduits for our foreign aid monies ignores various constraints on these institutions which would appear to render them less flexible than our bilateral program in executing "new directions"-style projects. Limited experimentation with more local-level, participatory institutions has only highlighted the problems of having to deal in large-scale loans and work through central government structures. In most cases, these organizations -- directed by government representatives and functioning essentially as banks -- not surprisingly have utilized large-scale, centralized funding mechanisms which make equitable, participatory, and self-sustaining development a highly unlikely outcome. It should be recognized, therefore, that any policy which shifts increasing responsibility for the delivery of U.S. foreign assistance to the multilateral banks would not be fully consistent with the essence of "new directions" legislation.

At the same time, these built-in constraints should not lead one to the oft-heard contradictory conclusion that the multilaterals should concentrate on large-scale, centralized projects, leaving the "new directions"-style projects to bilateral aid programs. While recognizing the banks' comparative advantage in this area, it should be noted that execution of essentially infrastructural projects can be counterproductive to the goals of "new directions" (by, for instance, causing dislocations or further centralizing

and concentrating decision-making and economic power) if not carried out as part of a participatory development process. Given the fundamental reorientation in operations and personnel that such a change would require, the conventional approach to establishing a complementarity between bilateral and multilateral programs should be seriously questioned.

True complementarity could emerge, however, if our bilateral program were to strengthen local institutions with the provision of "new directions"-type assistance for their programs. These organizations could thus be in a position at a later stage to serve the development banks as conduits for the delivery of larger amounts of badly needed credits to the local level. Such organizations might also provide channels for the articulation of views from the people at that level to assist the banks in programming their larger-scale projects in a manner consistent with that population's needs and aspirations.

Bilateral Assistance and Private Capital Flows

In the operation of an effective bilateral assistance program, it is important to recognize that not all capital flows will have a positive effect upon developing country economies. This fact should alert us to the possible dangers of seeking complementarity among bilateral, multilateral, and private, non-developmental capital flows.

As with centralized development assistance, private direct and indirect investment, trade flows, and commercial technology

transfer from the developed world appear to assist the poor majorities in the developing world only through the "trickle-down" mechanisms rejected by "new directions" legislation. Resources passing through the hands of elite or favored classes may be put to work for their own gain, thereby concentrating economic benefit and power. Resource flows of this nature can lead to major dislocations by, for example, eliciting the production of export rather than staple goods and the use of capital-intensive rather than labor-intensive technologies. Most essentially, they may also further exclude the poor from participation in their own national development. To rely upon these flows as a substitute for, or complement to, our bilateral aid to particular countries would appear to be inconsistent with the objectives of the "new directions" legislation.

CONCLUDING OBSERVATIONS

In legislating new directions in development assistance over the last five years, the U.S. Congress has made a fundamental departure from the conventional foreign aid policy of the previous generation. In essence, the new policy rejects the traditionally directive posture of the United States and calls for a supportive American role in participatory development efforts within the Third World.

If such a basic change in policy is to be effectively implemented, it would appear that concomitant changes of similar magnitude are required in program structures and operations. Criteria for assessing the effectiveness of "new directions" aid programs have been provided in this report. Drawn from the Congressional mandate, these criteria serve as standards by which to gauge the extent to which Congressional intent has been translated into aid programming, as well as to determine the nature of the reforms that are still necessary.

Should it be determined through the application of "new directions" criteria that agencies charged with implementing the new assistance policy have not made adequate adaptations either in their programs or in their own internal operations and structures, an investigation into the specific causes of these these institutional and programmatic shortcomings would become necessary. Determinations would have to be made of the constraints to effective implementation that exist both in the relevant legislation

and within the agencies themselves. To the extent that they are required, recommendations for changes in the legislation, agency structure, and/or agency operations should be made.