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A PRELIMINARY NOTE ON CRITERIA OF INVESTMENT
IN THE SOCIAL SERVICES IN LESS DEVELOPED COUNTRIES

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A PRELIMINARY NOTE ON CRITERIA OF INVESTMENT IN THE SOCIAL SERVICES
IN LESS DEVELOPED COUNTRIES

INTRODUCTION

The following paper is concerned with the allocation of resources, private as well as public, for all forms of social services. The argument is that below minimum levels of several components of material well-being, individuals will be unable to realize their full potentiality for developing their countries. Particularly is this true in Africa today.

Because what people already possess or what they have already done for themselves will differ, as will their basic needs, any allocation of social services can only properly be considered as part of the wider set of economic factors which affect human productivity (of which personal consumption is predominant). For the same reason, all forms of social services - from the major services of health and education to the less expensive factory inspectors and sanitary advisers - are included. The test is simply whether any actual or proposed type of social service is amenable to government planning and whether it can contribute to the extension of economic well-being in the country.

I. SOCIAL SERVICES PROGRAMMES IN LESS DEVELOPED COUNTRIES

Social services in the poorer countries face a particular dilemma; the poverty of the people makes such services urgently necessary, at the same time the poverty of these countries makes such services impossibly expensive. Worse still, the faster the rate of development, the more rapid the rate of social change and the social tensions arising may make the needs for welfare services even more necessary.

Midst such surroundings, of low per capita incomes and low productive capacities, the concepts of social services needs careful re-thinking. Sociologists have made clear what the anti-colonialists have long claimed; that the social structures of such countries are not imitations of the West but have their own nature and their own directions for the future. Such truths, in all their subtle detail, must be incorporated in plans and evaluations of social services. But the economist must also make clear the economic differences: that a concept of welfare applied in countries where per capita income is measured in thousands, is impossible where per capita income is measured in hundreds, or less.^{1/} It is not merely that a smaller version is required: an entirely different approach is necessary.

Because social services derive their inspiration from common humanitarian principles, there is an instinctive suspicion of attempts to apply different standards to poorer countries. But the cultural differences between countries lead one to expect some differences in the levels of living and patterns of services. And differences in the level and structure of the economies, make other differences essential.

In the richer countries, per capita income and general living standards are high. Among the population of these countries, there are low

^{1/} That this is too seldom realized must partly be attributed to the predominant training of welfare specialists in the developed countries.

income groups, persons who together with their families are "under-privileged" through poverty, unemployment, ill-health, inability or neglect. Social services have arisen largely to guarantee to these exceptions, a minimum standard of the necessities of life. The guiding principle has been equity. And as the general standard of living has risen, so with time the minimum standards considered equitable have been raised. At the same time, the principle of equity has been broadened to equality of opportunity and thus governments have become increasingly responsible for wide areas of education and public health, and in some cases for a full range of welfare state services.

The relatively rich context of these social services has three important implications. Because general standards are high, many of the social services in their economic nature largely represent consumption rather than human investment. This is partly because they are concentrated among non-working groups, especially the aged and partly because when living standards are high, investments in health, housing, nutrition, etc. offer little economic return. (Indeed, an affluent society might almost be defined as one where the element of human investment in "consumption expenditure" is low: education excepted). The second implication follows from the first. Because social services are determined mainly by consumption standards, their planning and co-ordination can be delegated to professional experts and regional committees, whose knowledge of the national economy need go little further than the size of funds allocated to them. In a sense, these social services have become a luxury the rich societies can afford.

By contrast, social services in the poorer countries are a necessity they dare not neglect. Here the principle of equity, at least in the near future, is an impossible guide. Regardless of the proportion of national resources devoted to expenditure on social services, the total if divided amongst all would be spread so thin that general standards would remain far short of any reasonable minimum. A system devised where most are well-off and a few are poor can hardly be applied when the proportions are reversed.

But for the reasons that, an "equity" concept of social services is inapplicable, an economic concept is imperative. If in affluent societies social services contribute mainly to consumption, in the poorer they can be regarded largely as investment. Expenditure on health and nutrition, even on housing and certainly on higher education, can pay rich and tangible dividends to a growing economy: indeed without such expenditure, the economy may not grow at all. It is in this sense that what is a luxury of consumption to the rich countries can be an urgent necessity for production and growth among the poor.

If true, these differences of economic background demand several important differences in planning social services in developing countries. No longer can decisions on social services be left in the hands of professional experts or regional administrators, guided only by budget allocation: there are sound economic reasons for the widely accepted opinion that social development must be part of the national development plan. But this means more than financial dependence: full integration with the plan involves the whole range of human resource planning, not simply cost. Neither can the developing countries afford to take over standards and patterns of social services from the more developed countries: objectives and methods of planning and co-ordination all need to be brought down to earth in the new environment.

It is the objective of this paper to explore the new principles and a new strategy for co-ordinating programmes in the social sectors.

II. THE CO-ORDINATION OF PROGRAMMES OF SOCIAL SERVICES IN UNDER-DEVELOPED COUNTRIES

There are three levels of co-ordination needed in social welfare in under-developed countries, which at present largely do not exist in many countries: co-ordination of objectives, of planning and of implementation. While each is sufficient for a conference in *itself*, a brief outline from an economist's viewpoint may be in order.

1. Objectives: It is quite obvious that not only do the objectives of the different social sectors and professional workers differ, they are not fully understood by each other; partly because what is an objective to one is merely a means to another (universities to the educationalist are primarily manpower factories to the economist) and partly because the subtleties and variety of one field are often overlooked by persons from another. The first stage of co-ordination is understanding the various objectives.

Even at this initial stage a number of illusions lie in wait. There is the absurdity of imagining that all objectives can be reduced to a single all-embracing purpose. There is the vanity (to which the economist is particularly prone) of avoiding the dilemma by grouping all objectives which further his own as productive investment and all others as non-productive consumption. There is the confusion of thought which thinks it possible to ignore all other objectives, or at least any sense of conflict between them and one's own. And there is the compromise which correctly recognising that in the last resort the decision will be "political", incorrectly deduce that there is no place for considered advice based on detached analysis.

The second stage of co-ordination is agreement on some set of objectives. To be meaningful, the objectives need not be all-embracing, given for all communities at the same time and for eternity. As a start, and already a great improvement on the present, would be an agreed and

co-ordinated programme for a single village. But because of interactions, it would be better to plan more broadly.

The practical escape from what is really a philosophical dilemma, is to take into account all objectives represented in the various social sectors - education, health, housing, labour, pensions, economic planners - including whatever objectives are popular political issues.

The third stage of co-ordination is to hammer out some agreed balance and priority among the various aims. This should not be an ordered list (illusion 1); nor an ordered list disguised in verbal subterfuge (illusion 2); nor a statement of desirables unrelated to the scarcities which prevent their attainment (illusion 3); nor simply an expression of who can argue or manoeuvre best (illusion 4). The basic need at the level of co-ordination is for a strategy which as soon as possible enables a "balance of objectives" to be increasingly fulfilled.

Two arguments may be challenged at this point. The first objection is that raising per capita income - and taking this as the objective - can embrace a perfect balance of all other objectives. The argument runs that providing each individual has freedom of choice, a maximum per capita income with a free opportunity of purchase will enable him to choose the best mix of goods and services which can be sold on the market: services which cannot be supplied by free enterprise are "exceptions" to the general rule and may be provided by the government. There is both a logical and practical flaw in this proposal. Logically maximizing per capita income cannot be separated from allocation of resources to social services because in part the latter are an economic investment and so help to determine what per capita income will be. But also on practical grounds the proposal must be rejected because most social services are "exception" to the general rule, offering benefits which cannot simply be sold to individual purchasers, (external economies and joint supply), or which are purchased by some for the sake of others (by parents for children) or which are imperfectly assessed by individuals because they lack a wider or longer view.

The second argument to be challenged is that raising per capita income is a sufficient objective, not for the reason just given, but because it makes possible the most rapid extension of social welfare. This argument neglects the whole problem of income distribution: whether it is feasible **fiscally**, economically or politically, whether, in fact, accumulation can be separated from extension.

Instead, the argument is put forward here that it would be possible to build a single criterion from a set of welfare objectives (derived for example, from the United Nations' work on levels of living) interpreting the set both as minimum standards to be sought and also as the means of development to achieve them more widely. In other words, to extend the full complement of the set of minimum standards to as many persons as possible would be the objective; the proportion of the total population **enjoying**, not some, but all of the objectives would be the measure of how well the objective had been achieved. But in addition, this objective must be made dynamic by considering each element not only as consumption but as investment: minimum standards of diet, of health, of housing, of education, etc., besides representing achievements in themselves, must be the foundations of an expansion which will widen the circle of beneficiaries. Thus the strategy of social development - and the criteria for allocating funds, personnel, and resources among the different social sectors - becomes that balance of social services which expands most rapidly the group possessing minimum levels of reasonable living.

The precise interpretations, or even re-evaluations of the minimum standards as consumption levels would be decided at the national level.

The minimum standards as investment levels would have to be based on factual evidence of what were the minimum levels for efficient work and what were the benefits of exceeding the minimum. Note that neither of these are limited to more economic benefits in the strictly productive sense. "Benefits" must embrace the whole objective of bringing more persons within the circle of those who enjoy minimum standards.

At this point, it is natural to wonder whether this criterion is operational, whether it is the old per capita income in disguise and whether it is likely to gain any acceptance.

It can be argued that it is neither oversimplified (and so can embrace the individual objectives of doctors, teachers, housing inspectors and probation officers, etc.) nor is it without policy content; it very clearly specifies the direction of action (expanding the circle) and calls upon any particular proposal to be justified as strategically contributing to this expansion.

It is not the old per capita income in disguise because it embraces a wider test of living standards, although it shares the same virtue of income which can be used both as a measure of achievement and as a criterion of change.

Its claim to acceptability rests on its embodiment of the major welfare objectives while giving each specialist an opportunity to recognize others besides his own. But the major test is whether its long-run effects are consistent with its own aims and with those of the wider development plan. The theoretical virtue of maximizing income is that ("assuming a satisfactory distribution of income") present welfare is maximized and ("assuming an efficient allocation of resources") the resources available for investment are also maximized. Thus, at least in theory, there is no conflict between the present and future, immediate satisfaction and the desired rate of growth are in harmony.

Under stronger, but more realistic assumptions, the same consistency exists for the proposed welfare criterion. These assumptions are:

- (i) That the long-run welfare objective values satisfactory standards for the many more highly than higher standards for a few.
- (ii) That the set of minimum standards are defined by the needs of human investment rather than by the standards of desirable consumption.

- (iii) That all brought within the circle (who possess the minimum standards) have the other things they need to be economically useful: broadly, a job, and some minimum of land, tools, etc. the human investment must be made productive.
- (iv) That the social services are correctly allocated and efficiently supplied, relying on public services only when individual means are lacking and supplying public services at minimum cost.

The first is a value judgement, though widely and politically acceptable. (Too often it is forgotten that the administrative and fiscal structure of less developed countries limits the possibilities for re-distribution. When this is so, distribution and some appropriate value judgements about it are an essential part of all economic policy making).

The second may appear very rigid. But note that many of the things desired as consumption will be justified as investment (health, minimum standards of housing, for example). Furthermore, because the criterion is designed for supplying social services, and definitely not for the whole strategy of development, a bias towards minimum but efficient standards is not unreasonable. (It must constantly be borne in mind that the higher the standards of welfare, the fewer persons can benefit; our criterion maximizes the number of beneficiaries in the present and the future.)

The third introduces the whole problem of balanced social and economic development. Such balance has long been recognized as an integral problem of development. Here we cannot enter these issues although our welfare criterion may be taken as a more specific interpretation of balance in the social sector.

The fourth is of the greatest practical importance. If social services are supplied unnecessarily, private resources may be diverted from productive to non-productive consumption. Even today many types of misallocations greatly reduce the useful effects of possible effort. Note particularly that the concept of minimum cost, in countries short of

doctors and teachers but with the unskilled under-employed by the thousands, needs careful consideration; financial concepts can be misleading and inefficient.

2. Planning: Planning implies an understanding of how the system works. It requires both general conceptions and detailed knowledge - broad experience and careful research. For human investment, the basis of our welfare objective, the most important conceptions derive from circular flows. While the theory has been developed with some sophistication by Gunnar Myrdal, the essential point for present purposes may be illustrated from the experience of an African commentator.

"The cardinal conditions for human well-being are: enlightenment, health, and prosperity and each one is dependent on the other. As I pondered the matter I recalled a little incident that seemed to illustrate the vicious circle that must be broken. In a remote locality I saw an African who looked starved, was filthy, nearly naked and was afflicted with a hideous sore on his leg. Said I to him, "You have a very bad leg. Why do you not go to hospital?" Said he in reply, "Because I have a bad leg.", which was very true. He could get to the hospital only on foot but being unable to walk was not able to get treatment. His case was of the common sort. At some time he had sustained an abrasion, probably he had plastered it with a paste of mud and spittle; the sore became septic and he was incapacitated from work, then could not feed himself properly; with under-nourishment he was debilitated and his wound would not heal. So ignorance caused sickness, sickness caused disability and disability caused mal-nutrition with resulting debility that increased disability."

In contrast to these vicious circles revolve the expanding circles of productive human investment. As a theme for planning, much more detailed understanding of the direction and importance of the circular flows is necessary. Already, however, a great deal of useful research and practical

experience has been accumulated,^{1/} but often neglected when formulating plans. This can and must be used.

Three main principles of welfare planning may be listed as part of an integral strategy towards our welfare objective.

(a) Planning Amidst Ignorance and Uncertainty: However useful the studies made of the benefits of health and education to development, much remains unknown. In addition, many failures in human productivity arise from causes statistically predictable in the large but uncertain for any particular individual. Both these aspects must be embodied in the plans. Ignorance must give rise to flexibility, local administration and continuous evaluation in the short run, to much research in the long run. Uncertainty must bring the principles of insurance within the field of planning.

In order to pursue the objective to the full, the benefits of welfare expenditures must be maximized and the cost minimized. Although these two functions are not separate in practice, they will be discussed in turn.

(b) Maximizing Benefits from Welfare Services: By benefits is meant the full set of minimum standards and the strategy is to maintain and build from already productive circles. Neglecting for the moment, differences of individual ability and age, maximizing priorities would probably be as follows:

(i) Social services which maintain the efficiency of existing human capital by "insuring" against failure or by "protecting" part

^{1/} See for instance, "The Human Factor of Productivity in Africa", Inter-African Labour Institute 1956 and the many country studies on similar themes. The many manpower studies of recent months mark the beginnings of integrating education in the wider plans. But why only for education?

investments in human capital: preventive health measures and medical services for skilled factory workers are examples.

- (ii) Social services which develop the efficiency of human capital by "filling in gaps" in the productive circles or "tying up loose ends" in others. By "filling in gaps" is meant supplying what people need to make them fully productive and able to exploit the economic talents they naturally possess or have already acquired through education or training. By "tying up loose ends" is meant supplying to the existing structure of social services those additional pieces needed to exploit the full economic benefits from what has already been done. "Filling in gaps" is thus defined in terms of the population: services which improve urban nutrition or housing facilities which reduce labour turnover and inefficiency are examples. "Tying up loose ends" implies a re-evaluation of the system of social services, also to exploit its economic potentials: adding school meals or supplying dried milk to the secondary school programme will often improve a child's concentration and thus what he values of the school; an efficient labour directory service may often increase the economic contribution from those with education; organized programmes of on-the-job training may double the benefits of a primary education.

In the last resort, both "filling in gaps" and "tying up loose ends" are aspects of the same strategy of human investment. In terms of priorities, the smaller gaps and the closer ends should be joined first. When all the breaks in the existing circles have been mended, the services should be extended.

So far, differences of individual ability and the special problem of those social services whose benefits are not limited to the direct recipients have been neglected. Both are of great importance. Because of the larger contribution they can make to a country's development, certain groups of people need priority in the allocation of social services. The groups may

be defined in terms of age, sex, education, training, occupation, geographic location or such. Some of these groups are already favoured for one reason or another. A welfare strategy would favour them for a quite open and specific reason, namely their ability to contribute to the more rapid extension of reasonable standards of their fellows. These groups provide necessary focal points of development, essential if an underdeveloped economy is to grow. Although the priorities among groups will vary with the situation, and must be the subject of much research, attention may be drawn to the larger economic contribution of the highly trained and better educated, to the longer future contribution of the younger. Providing the need is genuine and private resources insufficient such groups would appear to have prior claims: but there must also be a continual watch against abuse.

The second qualification concerns services whose benefits spread beyond the direct recipients, particularly services within the family and those of preventive medicine. Education for women is supremely justified on this count, as also are campaigns against the major diseases. The positive effects of such cases must raise the priorities given under a narrower justification. The negative effects, largely those of increasing population, although frequently decried, may be less important than the benefits to productivity. This is an important area for **research**.

(c) Minimizing Costs of Social Services: These guide-lines will elaborate the basic principles.

(i) Rely first on private resources and initiative. As long as social services are to combat every deficiency from malnutrition to poor housing, primary reliance must be placed on the individual to supply his basic needs; this after all is the nature of most consumption at low income levels. But reliance need not imply passive acceptance. There are useful ways to influence private consumption towards better standards, which involve few if any government resources. Health education in schools can raise home

hygiene; incorporating instruction on child care in literacy campaigns will hardly increase the cost; and minimum wage and factory legislation if based on standards of human investment, possibly specifying standards of health services, housing and rations may be costless to government but of immense value to national production^{1/}. Services which government supplies may also be charged for, possibly at differential rates, providing only that the charge does not discourage someone who should benefit.

- (ii) Tailor the service to the specific need. There is always the danger of scattering a service so with the few who benefit are many who simply cash in. Concentration at the point of economic need is also politically desirable when services have to be selective. Medical facilities within the factory, attached to secondary schools or specifically for pregnant mothers or municipal employees are all examples.
- (iii) Consider the full range of economic alternatives. Cost can be minimized by a whole variety of imaginative variations: students can be used in vacation months, doctors can be relieved of administrative responsibilities, radio programmes can be a means of instruction, school teachers organized as initiators of action, political youth wings organized into an active rural force. The rule is to exploit what is available, paying particular attention to the fullest use of those services which are most scarce.

^{1/} Such services may not be supplied by the individual employer because a) he incorrectly foresees the benefits of supplying them, b) because the benefits will be scattered beyond his employees, or c) because the benefits to his employees will be largely realized beyond the period when he employs them. The latter corresponds to running down human capital, an action which is not disadvantageous to the individual employer providing he can easily obtain fresh labour on the market. The last condition is widely true for unskilled labour in less developed countries.

- (iv) Investigate variations in unit costs. The use of a cost-accountant will often reveal surprising variations in unit-costs between different schools, different hospitals, etc. This may be a first step to eliminating inefficiency.
- (v) Employ foreign-aid, financial or technical assistance, in ways complementary to locally available resources and in ways which will build up the supply of local resources.

In summary, the dominant theme of both maximizing benefits and minimizing costs is co-ordination. Two services can often be combined for the price of one. Double benefits can often be obtained by choosing the right gap to fill, the right loose ends to join. But these require co-ordination with the economic plans and economic evaluation of the benefits. Education is perhaps the outstanding example of this need. When primary leavers are unemployed, secondary teachers in short supply and university students filling only half the available places, internal balance and wider co-ordination is clearly necessary. But balance and co-ordination in other social services and with the economic plan is no less important, although as yet less popularly recognized.

The necessary co-ordination can only be derived from a co-ordinated objective, from co-ordinated planning at every level from the highest to the local, and from co-ordination and co-operation in implementation.

3. Implementation: At this level, theoretical principles give way to administrative - but for this reason the issues may receive less attention than their immense importance deserves. It is probably not claiming too much to argue that the effectiveness of social services could be doubled with no increase in resources, given better administration at the local level. The precise needs will vary in every situation. But the general principles can briefly be summarized.

- (i) Better training. There must be general awareness and thorough understanding of the development plan and its implications at

the district level. There must also be improved standards of technical competence. Where communications are poor and there are variations from district to district, social administration must be flexible at the local level, much of it planned and played by ear. This requires considerable initiative and a lively appreciation by local administration of the broader economic aims as well as the problems.

- (ii) Dedication and enthusiasm. These can be rewarded by a reasonable salary but they cannot be bought. Incentives are vital and must be part of national planning: resources are too scarce to rely solely on monetary persuasion.
- (iii) Use of every available resource. Pre-occupation with the scarcity of conventional resources can lead to neglect of what resources are available. This is one result of the tendency to copy what the advanced countries do. But why? When the problem is illiteracy, and not college education, the solution need not wait for graduate teachers. When secondary students outnumber their teachers thirty-to-one, there is a potential task force ready for use, less educated than their teachers but much more numerous and often more dedicated. There are other such groups. It requires imagination and flexibility, a freedom from the conceptions that social improvements can only be achieved in traditional ways. The harsh truth, in contrast, is that significant social improvements will only be achieved rapidly in un-traditional ways.