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Strategy of Integrated Projects

by K. Friedrich Schade, Bonn

In the past, many development aid projects failed because it was not recognised that the entirely different economic and social structure of developing countries calls for supporting and linking actions, that are not necessary in the case of corresponding projects in developed countries. This neglect of coordination often was the reason why projects could not be started at all or did not work over a longer period of time. Two examples for this are e.g. the increase of agricultural production without solution of the marketing problem (especially processing industries), and the construction of modern production plants without co-ordinated educational assistance for the personnel. And even a project that in itself can be called an economic success often has not brought about any improvement and change in the overall economic structure of the area concerned. The construction of gigantic steel works may be reasonable from the point of view of the overall economic situation. Production itself can, however, be carried out by imported labour force and the increasing demand for agricultural products conditioned thereby can be provided from regions far away. Consequently, the region in which a project is located does not necessarily profit from the new dynamic impulse. On the contrary, it even results in frustration because it does not provide the appropriate field of activity for the population, thus impeding development policy considerably.

Complementary Effects

There exists an interdependence between the project and its economic and social surroundings. Therefore, supporting and linking actions have to be combined to an integrated project which in turn encourages participation in the project, because the complementary effect of linked projects on social structure, infrastructure, economic structure, considerably increases the success of isolated projects as well as that of the overall project. Representative models are the regional development programme "Paktia" in Afghanistan and the "Chemelil-Project" in Kenya. The Paktia-Project combines activities in the field of agriculture, forestry, and promotion of industrial trades. In Kenya, cultivation, industrial processing and pro-

jects for the promotion of infrastructure were co-ordinated and again public and private activities were integrated.

In spite of all these attempts it has hitherto not been possible to develop a basic strategy or standardised criteria for package programmes, with the assistance of which private and government development policy could be coordinated more effectively.

It should be recognised that the term "integrated" can be applied to any project that is designed to close a "gap" in a functional relationship. To define more precisely: Integrated projects are based on the recognition that more can be achieved if measures within a region are linked in such a way that they arrive at a functional relationship. Integrated projects can be large or small but in any case they should be more than a simple unassorted package of activities.

Planning and Project Preparation

The existence of a national development plan which gives the integrated project its appropriate place, would be highly desirable. On this way, the integrated project approach can be considered an intermediate step.

Integrated development assistance projects must include all the supporting or linking action which ensures potential viability of the project, including its social implications. However, the adoption of the integrated project approach requires more detailed pre-investment studies than may be the case with isolated projects. As a first step an analysis in rather general economic and technical terms will have to be made in the context of the country's overall development effort. This first analysis should normally be executed by the recipient country, possibly with technical assistance from aid donors.

The second stage in the analysis will call for a detailed feasibility study including cost-benefit analysis. Aid supplying agencies should make the necessary financial provisions for the joint elabo-

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GERMAN PRISM

International Bourse of Tourism in Berlin

ly expanding industry with annual turnovers of about DM 60 billion, after a few years only has become the acknowledged meeting place of the tourist industry in Europe and overseas. Experts from about 50 countries of all continents are expected to visit this approaching "Fair of Tourism".

This year's Bourse of Tourism addresses itself to all branches and vocations within the worldwide travel industry: travel organisers, travel agencies, tourist organisations and authorities working in this field, airlines and shipping companies, railway administrations, planning and financing offices, hotels and restaurants as well as publishers and journalists interested in the subject. This Bourse consists of an exhibition set up in the buildings at the Berlin radio-tower and a congress that will meet in Berlin's congress hall from March 18 to 21. At this congress topical problems of international tourism will be discussed, a.o. marketing in tourism and the development of tourism in the Third World.

Government Acti- vities in the Field of Export Insurance

In 1968 the Federal Government has given about 32,000 export guarantees and securities with an insured sum of DM 8.8 billion for the covering of risks connected with export transactions and for financial credits in favour of German exports. Approx. 80 p.c. of these securities and guarantees favoured—as already in the past—trade transactions with developing countries. In the majority of cases, above all with long-term exports of capital goods, the coverage by the Federal Government is a prerequisite to the financing and thus the conclusion of business transactions. The Government's authorisation for the granting of coverage for exports to the tune of DM 22 billion, as fixed by the Budget Law, was fully employed with DM 20.2 billion at the end of 1968.

The amicable cooperation and exchange of information with other governments have been in-

The "3rd International Bourse of Tourism" taking place in Berlin from March 15 to 22 belongs to the important international fairs on German soil. This event representing a marvellous-

tensified within international bodies—above all EEC and OECD—as well as in bilateral discussions. Consultations with British and French authorities in 1968 showed that the Federal Government's endeavours for fair competition based on quality and price is being supported by the other governments.

Delayed Effects of Security Measures in Foreign Trade

The German foreign trade surplus for the whole of 1968 amounted to DM 18.4 billion. Imports increased by 15.7 p.c., exports by 14.4 p.c. When thus the net result of the trade balance again surpassed the previous year's figure by nearly DM 1.5 billion, during the last months two special factors working in the same direction contributed to this trend. Before the security measures in the field of foreign trade had been introduced, speculation for a DM-revaluation caused foreign customers to place their orders earlier. Just the other way round imports for the same reason rose less than would have corresponded with domestic developments. After the "substitute revaluation" exporters made use of the deadline date of December 23, 1968, in order to wind up duty-free as many old export contracts as possible. Thus at first the very opposite of the development aimed at with the quasi-revaluation happened.

In the last months prices in foreign trade have been increasing more or less, and thus sales prices of export goods as well as purchase prices of imports in December, 1968, were still only slightly below the previous year's level (more recent data are not yet available). Therefore, vis-à-vis September mainly import prices have been rising (+2.6 p.c.). This, however, was above all caused by the seasonal price increase of agricultural products by 7 p.c. compared with this year's lowest level in September. The index of export prices, that refers almost exclusively to industrial products, in December only registered a vigorous increase (by 0.9 p.c.), effected mainly by the newly introduced export tax.

Including November 1968 (newer data not yet available), industry picked up a considerable volume of export orders. This applies above all

to the capital goods industries which provide more than 50 p.c. of industrial exports. Orders in hand doubtlessly decreased towards the end of 1968, because exports were effected before their due date. According to observations made by The Hamburg Institute for International Economics a reaction of deliveries effected before their due date—and adjusted for seasonal variation—will be registered in the form of lower export figures in the first months of 1969. Altogether, the situation as regards foreign trade transactions is obviously still so favourable that for this reason alone security measures in the field of foreign trade will effect exports with some delay only.

German Industry Profiting from the European Development Fund

German industry has continued increasing its share in orders given by the European Development Fund. According to an interim balance sheet of the 2nd European Development

Fund, on Dec. 31, 1968, the German share in orders amounted to a total of 22.04 p.c. vis-à-vis 19.88 p.c. at the end of 1967 and 6.78 p.c. within the framework of the 1st Development Fund. Up to the end of 1968 total orders wound up amounted to \$ 213.366 mn. France was leading by a wide margin with \$ 90.700 mn (42.51 p.c.), followed by the Federal Republic of Germany with \$ 47.016 mn (22.04 p.c.). Then come the associated countries and overseas areas (16.35 p.c.), Belgium (9.27 p.c.), Italy (6.34 p.c.), the Netherlands (2.92 p.c.), Luxembourg (0.40 p.c.) and third countries (0.17 p.c.).

With building performances the German share reached \$ 29.842 mn or 22.12 p.c., with supplies \$ 5.328 mn or 20.42 p.c. The share of studies and technical controls amounted to \$ 11.846 mn (22.62 p.c.). The German share in building activities has grown most strongly, in connection with which the German-French working group did particularly well.

During 12 Years 14,000 Stipendiaries from Developing Countries

During the last 12 years about 14,000 stipendiaries from developing countries have been supported by the Federal Government within the scope of its training- and refresher pro-

grammes. These experts and management personnel have already completed a practical or scientific vocational training in their home countries. In the Federal Republic they are offered the opportunity of specialising in their branch of study by theoretical and practical training in enterprises and administrations. 8,000 of these trainees came from Africa and some South-European countries, 3,800 from Asia and the Middle East and 2,000 from Latin America.

In 1968 alone 2,400 experts and management personnel from more than 80 developing countries have been promoted in their vocational continuation education with funds supplied by the Federal Government. The continuation training of 50 p.c. of the young people coming from developing countries is connected with projects of German technical assistance or capital aid. Some 265 "counterparts" received further training as teachers for practical problems in workshops and for theoretical questions in order later to replace German teachers in industrial schools established with German aid. The continuation training of farming experts has been intensified considerably. Another point of emphasis is the further training of management personnel from developing countries in special programmes for important key professions: industrial engineering, management, export promotion, cooperative systems, and journalism.

West Germany's Third Agrarian Consultation Project In India

The Federal Republic's technical assistance in the agricultural field follows two leading ideas today: (1) Development of whole regions through comprehensive agricultural consultation projects instead of model farms, whose

effects on the region to be developed remain minor ones; (2) application of technical aid in regions that have already reached a certain minimum level. The direction their development has taken can already be discerned and with reasonable expenditure lasting success may be expected in these areas.

According to this concept and within the scope of German technical assistance an agricultural consultation project will be established after the model of Mandi in the Almora district about 300 kilometers to the North-East of New Delhi. This district belongs to the agriculturally very backward mountain regions of the Indian State of Uttar Pradesh. In 1968 the German Federal Government, together with the Food and Agriculture Organisation of the United Nations (FAO) supplied fertilisers to the district of Almora within the scope of the Freedom from Hunger Campaign. Now this district is to be developed as a model area by the introduction of progressive economic methods. This district is to become an exemplary one for the rural population of the adjoining areas. The consultation will particularly comprise cultivation of the land, cultivation of plants and manuring, cultivation of fruits, vegetables and potatoes, agricultural water-works, maintenance of soil, protection of plants, the application of pesticides, and animal breeding.

ration of pre-investment and more detailed feasibility studies concerning the planned integrated development assistance projects.

Coordination and Cooperation

Several private and public aid donors and recipients may combine their resources by participating in an integrated project, either for a country or a specific geographical area. This, however, poses among others the problem of coordination.

Once the overall terms for the external financing have been established, the problem will be to ensure that the average of the terms of the individual donors produces the required result. In the case of large projects the complexity of negotiations may call for an international agency providing the framework for such negotiations. This leads to the concept of consortia and consultative groups for integrated projects.

If integrated projects are to be undertaken successfully, donors must be prepared under precisely defined conditions to make a contribution to local costs which in educational, agricultural and infrastructure projects are often very high.

The Role of the Private Sector

Integrated projects are particularly well suited to encourage collaboration between public and private sectors in development assistance.

Certain types of integrated projects demand the participation of private business to provide appropriate managerial and entrepreneurial capacities. Theory and practice should give special concern to the management problem of such a project, which includes public and private, isolated or joint projects, especially since such projects call for a current control of feed-back processes. In addition, it is highly desirable to secure the highest possible domestic participation in the equity investment involved. The private sector should make a fair contribution to the financing of the infrastructure.

Administration and Organisation

The success of an integrated project depends not only on its technical and economic feasibility but also on the administrative capacity of the recipient country. For, public administration in the favoured country in many cases constitutes a formidable bottleneck in the implementation of projects and may seriously delay or even prevent the attainment of the desired goal.

If it is the desired goal to meet local requirements with the measures of central government development policy and to link agricultural, industrial and infrastructure activities in such a way as to ensure a reasonable dynamic impact, and if further an

increasing participation of the local population in the planning and implementation of the project is desired, then, above all, two problems have to be solved:

- ☐ Institutional organisation of these vertical and horizontal processes of coordination, and
- ☐ regional authority of the newly created institutions.

Since furthermore planning and implementation will be concentrated in one hand and are undergoing current correction and adjustment to unforeseeable developments, there will be a standard project of development planning comprising about the size of a region. Therefore, methods have to be found that do not only create dynamic impacts but at the same time enable control of development, fully utilising spontaneous mobility. This can no longer be attained by means of a merely global, central development policy.

As regards the administrative and organisational structure most desirable for the planning and implementation of integrated projects, no standard solution seems to be possible in this respect. In some cases the establishment of new administrative machinery may be desirable, in others existing structures may be sufficient. This depends on factors such as: availability of qualified personnel, character and size of the integrated project, etc. In general, improvement and strengthening of existing institutions may be preferable to the creation of new ones which may absorb the most qualified staff of the already existing institutions and thus may be a source of friction and duplication rather than of efficiency. The time-lag between making the decision to set up a new administrative machinery and its effective functioning should also be considered.

To ensure efficient execution and cooperation with donors, the government service or department being responsible for the project concerned should be given unequivocal terms of reference and adequate authority, particularly if the integrated project in question covers a wide range of activities falling into the field of more than one government department.

The exact shape of the organisation in the recipient country for carrying out the integrated project will clearly depend upon the nature of the project and the structure of the administration in the country. Autonomous or semi-autonomous development authorities with independent responsibility for the management of an integrated project would in appropriate cases seem desirable.

It will take much time and unrelenting effort to develop a strategy of "integrated projects". But integrated projects are by no means a cure for all the ills that can beset aid programming. They are, however, a step forward to improvement.