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# ARTICLES

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## *Development Policies*

### Chance and Obligation for Germany

by Dr Erhard Eppler, Federal Minister for Economic Cooperation, Bonn \*

**W**e are using the current months for drawing up the accounts of our development aid activities. What has happened to the aid we have given to developing countries? We have made every effort to focus our work upon higher effectiveness of assistance to each individual country. My predecessor in office, Hans-Jürgen Wischnewski, started upon a weeding-out process among the great number of our projects, which has led to many less than effective programmes being cancelled. The criteria of assessment, which were gradually developed through the practice of adjudication, are still being rendered more and more precise, and instead of weeding out unsuitable projects once or twice, permanent correction and adaptation has become a steady process of progressive evaluation.

#### **Improvement by Degrees**

My predecessor already initiated work for forming a Federal Agency for Development Aid. This Agency has assumed the task to expedite technical aid and to smooth away friction and obstacles.

Parliament has voted the Act on Development Aid Assistants, which has become law on 21st June, 1969. This statute safeguards two things: the social and material position of all types of development aid assistants, who have joined the various voluntary services, and the equalisation in ranking the value of both development aid work and military service.

German Development Aid Services have been prepared, in their organisation and structure, for their new tasks. During recent months, a new administrative council has begun its work under the

chairmanship of Carl Friedrich von Weizsäcker. Additional reforms of great thoroughness have cleared away difficulties in the organisation of German Development Aid Services and facilitated the Services' entry into the Second Development Aid Decade.

#### **The Federal Republic In Second Place**

Last February, the Federal Government accepted a proposal made jointly by Professor Karl Schiller, Federal Minister of Economics, and myself on conditions to which our capital aid should be tied. This enabled the Federal Government to put forward for the first time, within the OECD, a suggestion of its own on improved conditions, which was adopted. Already during the current year of 1969, our capital aid credits are normally being granted for repayment after thirty years—redemption starting only after the eighth year—and bearing 2.5 p.c. interest.

My predecessor and myself have repeatedly offered cooperation to East European countries in the field of development aid. Some of these countries have made use of our will to help, and the first practical beginnings have become operative. There have been several export deals covered by Federal German guarantees, which included sub-contracting deliveries from East European countries. Connections have been laid for hammering out joint technical and/or capital aid projects. The most interesting developments are attempts to form consortia to include companies resident in different countries of Western and Eastern Europe.

\* Shortened version of the Minister's address to the Forum of the Friedrich Ebert Foundation on "The Second Development Aid Decade — a Chance and an Obligation for Germany".

We give these consortia our special support, because they approach our all-European model of thinking.

In 1969, the Federal Republic of Germany has spent 1.24 p.c. of its Gross National Product (GNP) on giving development aid, which means that it has met the requirements of the Second Conference on World Trade (UNCTAD), even though only 73 p.c. of Germany's contribution was derived from public budgets. Among so-called donor countries, we are second in importance in the two fields of bilateral and multilateral aid.

In February, 1969, the Preparatory Commission of the United Nations' Economic and Social Committee for the Second Development Aid Decade has accepted the Federal Republic of Germany as one of its members, thus paying tribute, in the name of developing countries, to the contribution made by German development activities to bilateral and multilateral forms of assistance. This, however, is also a request to the address of Germany to produce constructive proposals of its own for the Second Development Decade.

### **Success in the First Development Decade**

Ten years of development work have passed, which were fairly successful but are still assessed as a failure by many. The set objective has been actually achieved, which was to increase the developing countries' GNP by an average annual rate of 5 p.c. True, there have been big differences between individual countries, but especially during the last two years, a breakthrough has been made in the struggle against hunger, in many places, particularly by using new seedcorn for sowing rice and wheat. This has also increased our knowledge enormously as to where an impact has to be made to be effective. Administratively, we are working better, our projects have been more thoughtfully designed, and the will to co-ordinate operations has been strengthened.

But in spite of all this, it must be stated that income per head of the European population has increased, during the decade under review, at about double the rate prevailing in developing countries. There are even countries whose total income per head is still inferior to the 1969 growth of income per head in the Federal Republic. Also, the gaps as between developing countries which have reached different levels of evolution are widening. The more advanced they are, the more rapidly they achieve new progress, and their growth rates themselves grow. Conversely, the more backward a given country is, the slower will be its rate of growth.

Moreover, expectations are progressively mounting, and there is more and more impatience. The greatest need of many developing countries is for hope, the hopeful confidence that they will eventually be able to draw level with the developed

countries and not remain for ever the pariahs of modern civilisation.

### **Planning for the Second Decade**

Only by supporting this hope does planning for the Second Decade make sense. If such planning should destroy hope, it would have been better not begun at all.

It is not only quantity with which such planning must be concerned. Though it might be correct and realistic to base plans on the assumption of an annual 6 p.c. rise in the developing countries' GNP, this may still mean no more than helping incomes per head to rise at rates that are no quicker than growth rates in Europe. It may also be correct that such progress is attainable on condition that all the industrialised countries including the United States will use 1 p.c. of their GNP for making net capital transfers to developing areas, following the calculations of Professor Tinbergen. May be that the objectives set for giving help from public funds should properly be broken down into subsidiary target figures, because only thus will it become possible to plan and work in true continuity. However, I believe it to be more important to evolve a true strategy of helping, and thus to improve the quality of help. The Chairman of the OECD's Development Committee, Ambassador Martin, has outlined three different possibilities of planning for the Second Decade:

☐ "We may exhaust the complex procedure of the UN to its last dregs and perhaps achieve in this way bare agreement on a wholly generalising draft resolution to be placed before the 1970 General Assembly. This will make newspaper headlines the day after it has been adopted but be forgotten immediately after.

☐ We may beat a dignified retreat by adopting the arguments presented by the developing countries and select a few points from them for making concessions to them, in order to prevent a complete foundering of the whole venture.

☐ We may finally also come to the conclusion that fast development of the Third World is our long-term objective which may claim more room among the policies of individual industrialised and developing countries, and that the best way for promoting this aim would be the use of measures forming a broad and sturdy framework for a new development decade of the UN."

### **Coordinating Development Aid**

In agreement with Ambassador Martin, I am inclined to subscribe to the third possibility, because I share his view that the two first possibilities have implications harmful to world peace. This does not mean that I advocate a world plan to be based on agreements binding in international law, but the point will be whether we are capable of finding a joint international framework

for the combined efforts of all nations, both industrialised and developing ones, and whether we shall be prepared to work within this framework. The guiding principle of the Second Development Decade must be Coordination. To assist development under conditions of competition between the industrialised nations or in the spirit of nationalist mutual hostility between developing countries means a waste of energies and good money. It must never happen again that a given country insists on getting a fertiliser plant or a steelworks only because a neighbouring country has one, especially in cases when one production unit would be ample for supplying the two countries provided only their mutual tariff walls are sufficiently lowered. Nor must it be allowed that an industrialised nation lends support to such behaviour only because an individual ambassador is of opinion that "his" government must once more be cajoled by receiving special favours. It must not happen again that roads will be built in one region where there is not even a chance of industrial production growing up, whilst next door, there are factory buildings rising but nowhere a road to be seen. It makes no sense to build schools where there is not enough employment, or to build production plants where no skilled labour can ever be hired.

Above all—it does not make sense in the Third World to set up organisation and economic structures which cannot survive but by trading, and at the same time to continue keeping our own markets—both our markets for manufactured goods and the much more important ones for foreign farm and plantation produce—closed against them.

### **Efforts by All the Interested Parties**

Only by closely coordinating the efforts of national planning authorities, international organisations, and individual industrialised countries, by each and all making their contributions to the overall effort, can development aid become a fertilising force. Vast scope is open to international organisations in this field.

Agreement is also growing about a further aim of development aid: economic progress of any given country is measurable not only by measuring the growth of its income per head. We are not merely aiding abstractions, we try to help people. It is not only important how much they get to eat but also of what quality their food is. It will perhaps be easier to produce enough rice or wheat for everybody than to provide sufficient proteins for children, to protect them against irreparable harm to their physical growth. Such children also need to be properly educated, because education makes a powerful but only a long-term impact upon economic progress. Developing populations need a redistribution of income because there is not only a scandalous gap between incomes of industrialised and developing countries but also an

equally scandalous gap between classes in many developing areas. People's health, employment, family planning, exports, and indebtedness must respond to our development policies.

Not only the development aims of developing countries must leave the realm of abstract generalisations, we shall ourselves be asked to give up being abstract and non-committal in our aid. Planning for the Second Decade will make no sense but by avoiding the shoals of abstraction. Public opinion, moreover, in our own country will only support us in the short and the long term if it is not fed constantly with abstract figures. Our electorate must get to know: we are concerned with how living people live, what they eat, what they are taught, how they work, how they can maintain their capacity to work, how they try to build a society which will not be an ideal one but one that is more just than the one in which they have been living in the past.

### **Development Policies without Enemies**

My experience has been that it is much easier to acquire enemies than to find new friends by giving development aid, and this will be the easier, the more powerful the so-called "donor country" is. The United States can hardly evade hatred which is not felt in the Third World against the Swedes or the Dutch. The Federal Republic of Germany has entered a critical zone. It is no longer sufficiently insignificant to be proof against the resentment which powerful states may arouse.

From the point of view of international policies of a given state, it appears to me, quite justifiably, the most important question: how to grant development aid without rousing hostility by doing so. It sounds paradoxical: only that type of help which is not passed from one nation to the other as an act of mercy but as an element of a partnership paving the road into a better future for the two nations is able to establish new friendship. We had to learn that granting credits in aid of capital formation makes sense only when given for periods of at least thirty years, and at low rates of interest, foregoing redemption during the first eight years. We have now to learn another truth: for our foreign policy, development aid will make sense only if we take the long view always and do not believe that we have to insist on our interest payments in the form of squeezing political small change from the coffers of our development partners under every possible pretext. Nor is it permitted to believe that we can afford to acquire a bad name as development helpers in one part of the world without our reputation going down the drain worldwide.

### **Making Development Aid Less Explosive**

It is not enough that we give up using development aid as tool for exerting political pressure.

Our task is much more comprehensive: all the political and psychological explosive contained in the subject of development aid must be neutralised. This has its important implications for the questions of debt consolidation, of earmarking credits for exclusive purchases in the creditor country, of how to train our experts, of the proportion to be chosen between bilateral and multi-lateral efforts, and even of the forms in which private investments are made.

Only if development policies can maintain credibility in their interest in the developing countries' growing efficiency will they also be able, not to kill, but to reduce the growth of resentment. To work for a development country's economic efficiency will serve, moreover, our own long-term interests. Last year's export surplus of our trading with industrialised countries was about the same as total West German exports to all developing countries, and our trade balance with the latter altogether was slightly adverse. Our entire exports to Africa are still worth less than those to Switzerland. The reason for this is certainly not the absence of demand for our machinery in Africa, but the absence of the wherewithal with which to pay. Trading partners grow the more interesting for us, the more developed they are, the more liquid money they can spend, and the richer they grow. True, such partners do not only want to buy, they also must sell. That is why changes in the economic structure of developing countries will be reflected by changes in the economies of the industrialised countries. This does not make me afraid, because this means only that we shall be obliged to direct our work to sections of the world's economy with higher productivity more swiftly than we would have to do it anyway.

It is simply not true that we have to grow poorer for developing countries to grow richer. Only using our capacity for work progressively with greater efficiency will enable us to cede to developing countries a proportion of our output, that part which they need and which they can usefully absorb.

### **Some Practical Suggestions**

To conclude, let me make some practical suggestions. It is more important than pegging higher the objectives to be met by industrialised countries, to re-draft our statistical notions and terms. For example, if we dub medium-term commercial advances, granted in the usual way by suppliers, "aid", we should not be surprised when citizens of all the developing countries react with hostility to all aid. Our statistics must become much more truthful and honest and must call things by their proper name.

Relations as between donor and recipient are difficult to bear for both parties. In their place, exchange relations should progressively be substituted. Both sides must grow more and more

into mutual partnership. For it is a stark fact that it is not only ourselves who are giving. More professors from developing countries ought to be invited to teach as guest professors in our own universities, mixed teams of experts from a variety of sciences and skills and, even more so, business partnerships ought to settle both in the developed and the developing countries, so as to make clear that developing countries do not only "give" something to us (under existing market conditions, they will anyway always give)—apart from the "brain drain" and from the emigration of their labour—but we ought also to demonstrate clearly that we know it and appreciate it.

### **Educational and Vocational Training Projects**

In this context, I may tell you of my intention to cooperate with the Federal Ministry of Labour and with the Federal Labour Exchange and Office for Unemployment Insurance at Nuremberg for channelling part of the skill and the knowledge, but also the savings, which foreign workers acquire in West Germany into fertilising economic development of their home countries, specially Turkey. My first discussions with President Stingl of the Federal Labour Office and with the Secretary of State in the Ministry of Labour, Herr Kattenstroth, resulted in broad agreement. We intend to offer the opportunity to foreign workers, who aid us today, to educate and prepare themselves for skilled work in their home countries. At the same time, we want to give them some initial capital aid for creating the necessary employment, particularly in the service trades.

I intend to double the number of experts, whom we send out to bilateral and multilateral aid projects, by the middle of the Second Decade, and likewise, it is planned to double the number of assistants who work for the various voluntary development services. What is needed most is the growth of cadres of experts of long experience, who must be given the status of established staff. Their training will have to increase, more than hitherto, their capacity and willingness to grasp the psychology of the host country.

Educational and vocational training projects will be accorded increased priority, which will make for a growing share of Technical Aid within the sum total of our aid programmes, and also a growing share of Educational Aid within the larger framework of Technical Aid. To promote projects and programmes to aid science and education, we must also give capital aid by granting credits to "educational industries".

Within a few weeks, big projects are opening up in the field of educational television and of other mass-media supported education programmes, which receive our assistance. Some sort of Farmers' Almanack, which was sold at cost-price to the listeners of one of our "universities of the air"

in Central America, has become a roaring success. Much more will have to be done to make available large printings of cheap literature in a very plain display, pocket books, instructional brochures, etc.

### **Integrated Projects and Long-Term Programmes**

We must withdraw from the former method of sprinkling individual projects over vast areas — a hospital here, a new road there, a factory in again another location. We ought to concentrate our energies on integrated projects and programmes conceived for long-term development. Where production plants are growing up, they also need housing projects, schools, and a social infrastructure, and trade unions, sport clubs and educational associations find their individual tasks cut out for them. To lift an entire region to a new level, to establish a completely new branch of production from the training of the required skills to marketing the new products — these are tasks that are worthwhile, for whose solution capital aid, technical aid, educational aid, and aid for building up a new social structure must all work in subordination to one great aim.

Apart from purely multilateral projects sponsored by international agencies which will be financed by the rising grants of donor countries, and besides purely bilateral development aid, there ought to be room for a third type of aid: projects, or rather programmes, which should be planned multilaterally, sponsored and protected against political interference by the UN, but carried out on a bilateral basis especially in the field of Technical Aid. This does not mean that simply more money should be funnelled into international funds. What is required, is more determined leadership, deliberate planning, and distribution to donor countries for bilateral execution of such tasks by the UN and its specialised organisations. There are already in execution a number of projects which were planned by the FAO, the UNESCO, etc., and handed over to us for bilateral processing. Under such international division of labour, it might become possible later for individual donors to specialise in the carrying-out of particular types of projects, for which they seem best fitted. Thus, we shall be prepared to offer certain types of training and educational aids, or the dispatch of technically skilled volunteers of our development aid services to countries that need them. It would also be easier and come more naturally to engage in cooperation with East European countries on such lines, and its outcome would be more effective.

### **Bilateral Programmes Have Their Advantages**

Advantages inherent in the bilateral execution of programmes could thus be merged with the lack of suspiciousness and absence of obscurity to political critics, which is the strength of multi-

lateral political overall planning, distribution of work, international awards of contracts and their control.

Procedures of this kind will increase the efficiency of project work, dampen down political resentment in developing countries, and yet enable the development helpers to make a deeper impact upon the social structure of the countries aided, through working in the name of supra-national organisations and authorities. Our own long-term interests can only profit from such a procedure.

I also propose strengthening the planning and co-ordination of work by UN organisations right on the spot in developing countries. Local agents of UN agencies ought to coordinate the development aid given to one country by several donors, first by consultation and running seminars but later gradually institutionalising such international supervision. This can only be done by agreement with host countries and their planning authorities, and on condition that industrialised donor countries will lay their cards on the table locally. We ourselves shall certainly do so, provided other industrialised countries follow suit.

### **Protection Against Growing Indebtedness**

We ought to take the initiative for preventing further growth of the developing countries' indebtedness. Credits to countries with an exceptionally low income per head must be granted under conditions which have to be easier than those that are considered normal. Redemptions on capital aid account—which will grow progressively in future years—should serve to form special funds, to be re-used for financing further development aid. This might teach developing countries that the payment of interest and repayment of debts are normal economic processes and not unjustified levyings of tribute by industrialised nations.

I have started discussions with our industry how to use the method of private investments economically and profitably for both creditors and debtors, keeping it at the same time politically acceptable. We still have to find out how our industries can ensure satisfactory management, especially in the initial phases of aid, combined with a share of authority acceptable to the developing countries.

The capital of Deutsche Entwicklungsgesellschaft (German Development Company), of Cologne, must be raised to DM 250 mn, to enable it to support more joint ventures.

What I have said today may be surprising to some of our compatriots, but measured by the yardstick of international discussions on this subject, my attitude is certainly not revolutionary. It is rather that of a progressive moderate. This will be seen, at the latest, when the Pearson Report comes out in the autumn.