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Reshaping German Development Aid

Interview with Professor Karl-Heinz Sohn, Parliamentary Secretary of State
in the Federal Ministry for Economic Cooperation, Bonn

Professor Sohn, German development aid has considerably increased during the past year. In meeting the "1 p.c. of GNP requirement", the Germans have shown themselves paragons of virtue. But due to such model behaviour it is expected of the Germans that they will continue to show more-than-average achievements. Will the Federal Republic of Germany (FRG) be able to come up to such expectations also in the future?

The FRG must do so, there is no choice. In view of the relatively low performance of the Soviet Union and of the declining trend of American aid, small and medium-sized industrialised nations now attract increased responsibility. Especially the future behaviour of the

FRG will be of paramount importance for developing countries, because it has assumed a kind of leading role among medium-sized powers.

Commitment for the Future

With all the obligations emanating from this role?

Certainly. You can see that from our Government's general attitude. Already the predecessors of our present coalition have accepted and recognised development aid as one of the major joint tasks of the community of nations. Today's Government continues along this line. For the first time, it has set itself actual target figures and committed itself to them unambiguously both in one of its policy statements in Parlia-

ment and through a Cabinet decision.

Does that mean that the FRG intends to increase its aid to the countries of the Third World?

It is our intention to increase the volume of this aid but also to change its composition. In 1969, overall outgoings on development account represented 1.44 p.c. of the GNP, but two thirds of this total consisted of private capital transfers and only one third of government-financed aid...

... and you believe that this is a disadvantage?

This proportion need not have an adverse effect. But there remains the fact that private and

public sector aid differ not only in the size of the individual project but also in their motivation. Private creditors or donors are prevalingly motivated by their interests. Government aid, on the other hand, has only one single purpose: to advance the interest of developing countries. It is more compatible with the purpose of economic development work.

Increase in Government-financed Aid

The Pearson Report contains the suggestion to mobilise 0.7 p.c. of the GNP for development aid from government funds. Do you intend to work towards this target?

Yes, we have made an unambiguous decision to this end. We intend to increase public aid by a cumulative annual rate of 11 p.c., in order to approach quickly the target figure of 0.7 p.c. But our efforts are not only directed towards quantitative increases, we bend all our energies towards improving the quality of this help.

Does that mean that you will screen less developed countries, so as to give preferential treatment to those showing more promise of success and to discriminate against the ones less likely to succeed?

What we try to do is to give stronger support to specific forms of aid. For example, German capital aid is planned to grow in the period 1970-74, in line with authorisations issued to commit funds for capital transfer, at an annual rate of 9 p.c., whilst technical assistance, which is focused mainly on education and training, is to grow at the same time by 18 p.c. annually.

In other words, no individual country will be given preference?

At any rate, we shall certainly not show undue preference to any country or group of countries under pressure of day-to-day political developments, because they may then appear especially suitable for development work. The decisions of our Ministry are guided by such criteria as capital requirements, performance, absorptive capacity, and the height of candidate countries' indebtedness.

The Cabora Bassa Project

Which means that political and economic decisions will be kept strictly separate. On the other hand, German "aid" for the Cabora Bassa project has caused widespread alarms—specifically because politics and business have been treated as separate categories in this particular case.

Cabora Bassa is not a project enjoying development aid. Capital goods have been supplied for Cabora Bassa by a consortium of German and other European concerns led by Siemens and AEG. The deliveries—as has been the custom in other capital projects, too—were safeguarded by a "Hermes" guarantee, and in this particular case, the guarantee, it is true, was subsidised, in the form that the rate of interest resulting from the negotiations

concluded some months back was only 6 p.c. p.a. In the meantime, interest rates have increased considerably, whilst the German financing agency, the Kreditanstalt für Wiederaufbau—KW—the Credit Institute for Reconstruction, has now to grant a credit of DM 286 mn bearing only 6 p.c. interest.

Indeed, this form of "subsidy" was one of the butts of criticism but probably not the central one. As far as I know, the main cause of protest was the "doubtful" aim of a development policy aiding a Portuguese colony.

I can only repeat what I have said: Cabora Bassa is not a project attracting development aid. KW finance does not use development aid funds. Nonetheless, our Ministry has made its own attitude towards this affair abundantly clear from the outset. I am a member of KW's Administrative Council, and when a vote was taken on Cabora Bassa in this Council, I did not use my vote. I am of the opinion that purely commercial transactions cannot always be treated separately from their likely political repercussions. In every individual case, and especially in cases of a kind like this, dealing with Mozambique, we must not evade the impact of projects on our international and development policy. Which means that, in future, all projects of a similar type which may perhaps be con-

Development Aid in 1969		
(In \$ mn)		
	Total	p.c. of GNP
USA	4,645	0.49
Germany, Fed. Rep.	2,205	1.44
France	1,742	1.24
Japan	1,263	0.78
Great Britain	918	0.63
Italy	848	0.78
DAC-countries	13,297	0.72

New Organisation

Early in July this year, a newly shaped organisation of the Ministry for Economic Cooperation, founded in 1961, was decided on. This regulation provides for a clearer demarcation of competences. The Ministry concentrates on management tasks and will, above all, intensify its regional planning programme. Moreover, a German Forum for Development Policy was built up, consisting of personalities from politics, economics and the cultural life.

nected with South Africa or with Portuguese overseas territories cannot simply be cleared through a purely economic adjudication by KW but must additionally be subject to a formal decision of the Federal Cabinet.

Will this lead to guidance being extended to development aid activities following the requirements of a strictly political policy?

The case in question is not one of development aid. On the other hand, Cabora Bassa should become the starting point for our more thorough clarification of our fundamental attitude towards colonial forms of rule.

No Firm Tie-up between Politics and Business

Will "thorough clarification of your attitude towards certain forms of rule" also affect countries of another Bloc—meaning those which are attached more closely to the Soviet Bloc?

In my view, Hermes guarantees cannot and must not be

used as an instrument of political considerations. My opinion is, on the other hand, that we must ask whether business transactions which use government finance will have political effects, and of what kind they will be. Current normal guarantees extended to commercial and trade deals of the ordinary kind ought, however, not to be subjected to such scrutiny, lest selectivity along such lines would smack of too much political arbitrariness.

As I understand it, your aim is reshaping your own policy but not creating a firm tie-up between politics and business, as is feared by German industry. Am I correct in this assumption?

Approximately. Industry, in its fears, must not forget that it is virtually impossible to keep politics and business completely separate. I am convinced that politics and business have been closely connected also in the past. If we intend to insist on a Cabinet decision in selected cases, this means only that we want to safeguard the interests of the Federal Republic, or we may safely say, the overall interests of the community, intelligently. Private economic interests ought not to be the only decisive yardstick for evaluating decisions. In my opinion, it is completely legitimate in such cases to take care of the common interest as well.

Control of Aid Efficiency

Leaving the case of Cabora Bassa, may I return to your intention to increase the volume of aid. Many critics of German aid have made their voices heard. Have you been able to develop exact procedures for measuring the efficiency of aid?

The Federal Ministry for Economic Cooperation has always

been concerned with increasing efficiency of its aid, and we are constantly busy trying to make our controls more responsive and sensitive. The newly-formed Bundesstelle für Entwicklungshilfe (Federal Board for Development Aid) has recently taken over all progress and process control under technological and commercial aspects, and the new Board can already report considerable progress in its field of operation. When our Ministry was reorganised, we also set up in 1970 a special staff department for economic and technological scrutiny of all our measures. It must never be forgotten that most development aid is concerned with efficient management, because both project and programme objectives ought to be put into practice according to the most rational principles, in the development countries' own interest. In addition, we keep under current survey the pro rata distribution of funds both regionally and by sectors of the economy. Such surveillance is entrusted to independent experts, who are thus principally serving the purpose of controlling ourselves.

Development Aid Subservient to Social Justice

More recently, trends are to be observed trying to make development aid not only subservient to economic growth but also to social justice. Is it at all possible to carry out such intentions?

It is indeed true that such endeavours are progressively gaining in importance. But these efforts are severely handicapped, relatively to the simple aim of increasing GNPs or income per head of a given population—whichever indicator you prefer—because nobody has yet found sufficiently precise units of

measuring the success of measures mainly aiming at social improvements. The social sciences have been busy for many years in making welfare economics more manageable but they have had scant success so far in developing operational criteria and methods of measuring quantitatively the cost-and-benefit relationship. Development policy follows far too many and too complex aims, which cannot possibly be evaluated exactly by a single or several simple indicators showing economic mainline and subsidiary effectiveness. Among our main aims are, for example:

- raising the income per head in all groups of the population;
- preventing the increase of social differentials between such groups;
- increasing employment and productivity;
- promoting industrialisation;
- offering equal chances to all in education and vocational training.

The first decade has taught us the lesson that it is impossible to set our course for one single aim only. Every project or programme is closely interrelated with the entire economic and social system. But when we want to develop reliable and relevant indicators for the degree up to which our multifarious objectives have been achieved we have still to use rather crude measuring aids. I probably need not underline the fact how difficult it is to obtain reliable statistical returns from the various developing countries.

Which are, in your estimation, the optimal chances for improving decisively the aid extended by the FRG?

Well, in the first instance, we have listened to the often-heard

reproaches that our aid is dissipated by spraying it over the whole field, as it were, through a gardener's watering can, meaning that too many countries received insufficient allocations from our restricted aid funds, which had the undesirable effect that hardly any recipient country benefited genuinely from measures taken in its favour. For some time in the past, two thirds of our total assistance has flowed into only 15 countries. Since we have reorganised the Ministry, our new aim is to achieve further concentration. Quite generally, we are replacing "punctual" planning in isolation by methodical and comprehensive planning.

Reorganisation of the Ministry

Formerly, it has frequently been the case that your Ministry was blamed for frustrating its own higher efficiency in carrying out measures through dissipating its energies over too many departments. If you intend to reform development aid methods, this clean-up surely ought to begin on your own "shop floor". Have you started such improvements?

I am familiar with this kind of criticism, but we are now in a position to answer it effectively in some respects. A number of changes in our organisation has been made in the interest of higher effectiveness of our aid. It has been possible to place on much surer foundations improved methods of granting both capital aid and technical assistance through increasing the number of geographical and country divisions, and through handing over planning of individual projects to clearly defined specialist departments of high skill. We are all working for integrated planning, in order to obviate friction and obstacles in the path

of coordinated and efficient application of basic preparatory work and staff functions. It is also intended to use the methods of electronic data processing, in so far as they are applicable at all to this highly complicated task.

Does this not imply the danger that you simply emulate the fashionable fallacy of wanting to computerise everything, which does not produce more than is invested?

No, I am sure we have not fallen into this trap. We are completely clear about our aims, and we shall use the most advanced methods for achieving them. But we shall certainly avoid plumping for a new method or technique simply because they have at present become fashionable. This is also the case with our new job rotation system which, as far as I know, has never before been used in the German civil service.

What do you mean by job rotation?

Development as a process and the instruments used for carrying out development policies have grown up in such a complicated profusion that traditional specialists or heads of departments have long lost the capacity to look through this jungle. This makes it indispensable especially for our younger colleagues that they must periodically change their place of work and their responsibilities. What is most important is their being seconded for work in developing countries outside the confines of the Ministry, to international organisations, to research work, and to business appointments. They must be forced to "rotate", for weeding out departmental selfishness and preventing the growth of doctrinal blinkers. Conversely,

such trends are also being fought by our employment of outside consultants, or consulting staffs, when problems of development policy are to be solved.

Coordination with other Federal Ministries

Apart from these changes, which are no doubt progressive, in the infrastructure of your Ministry, have you also succeeded in improving the division of responsibility between your own Ministry and other government departments? It is well known that development policy is not the monopoly of the Federal Ministry for Economic Cooperation but that decisive work in this field is preempted by the Federal Ministries of Economics, of Finance, and of Agriculture, and that also the Foreign Office in its responsibility for Germany's international relations and the Federal Press Office in disseminating information encroach on your responsibilities.

Recent months have seen considerable progress in coordinating this work. We have concluded administrative agreements both with the Federal Ministry of Economics and with the Federal Press Office. Our deal with the Ministry of Economics has passed to us responsibility for capital aid as regards the drafting of overall programmes and planning long-term regional and sectorial programmes. Similarly, we have come to a consensus about the tasks of our own information media and our public relations work with the Press Office. With the Ministry of Agriculture, a new comprehensive agreement on the division of responsibility regarding agricultural projects is pending.

Is your statement synonymous with a complete solution of your

Ministry's problems of organisation, at least within the Federal Republic?

By and large, yes, I would say, but not yet completely. In the long term, we would like to claim complete responsibility for planning all the important initiatives of development policy for the Ministry for Economic Cooperation up to the actual decision on practical projects.

Role of International Conferences

What is your opinion about the suggestion to convene more often worldwide development conferences?

Although such conferences are liable to create new friction, we favour such worldwide meetings, because they are able to influence world public opinion deeply. They also offer a platform for the meeting of minds, for an improved exchange of opinions and attitudes of all the interested parties. Many-sided debate and the struggle for solutions enable participants to elucidate more precisely what it is that the various delegates wish for and aim at. It appears to me eminently possible to find overall agreement there, which everybody desires.

Are you not afraid that the industrialised countries may get tired of granting development aid, under the impact of perpetual emphasis being laid on the interests of the developing countries?

It is our vital interest to maintain and safeguard world peace. The most efficient method to serve this aim is, in our view, closer integration of all the developing countries with world trade. Cutting off any country, as in the case of Cuba, from international markets, which is a disintegrating step, benefits

nobody in the long run. If we succeed in building this kind of integration, we shall not see anybody get tired of development aid, because world market growth is of advantage to all those who take part in it, not only developing countries.

Cooperation between Developing and Industrial Nations

Do you believe that the representatives of developing countries agree with you over this question?

I do, notwithstanding the risk that developing countries may get tired of development aid in the reverse direction, if we should try to make development policy subservient to our own short-term interests.

What does that mean?

There are examples galore. It would be foolish, for instance, if we tried to nail down all the developing countries to a commitment to special requirements of our policy about the reunification of Germany. Moreover, we should avoid trying to monopolise business for our own exporters one-sidedly with the help of measures of development aid, nor must we try to shield certain industries, especially those which process basic raw materials, against competition by developing countries. If we did that, we might rapidly provoke developing countries into getting tired of development aid.

Are you not afraid of strong resistance against such a policy from the ranks of the German parliamentary opposition?

Not that I know of, because both the aims and the scope of our development policy have never been a bone of contention, fundamentally between the Government and the opposition parties.