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## Development spectrum

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# DEVELOPMENT SPECTRUM

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**Public Development Aid Increased:** In 1973 West Germany's public development aid performances increased to DM 2.941 bn net. With that the share of public development aid in GNP rose from 0.31 p.c. to 0.32 p.c. In the same year 28.2 p.c. of public funds were granted via multilateral organisations. Development aid of churches, foundations and similar organisations also continued growing in 1973 and amounted to DM 419.5 mn. This sum total should even be higher, since many smaller organisations and groups give direct aid to LDCs, which is statistically not covered.

In contrast to public and private development aid the contributions of the West German economy's development aid decreased considerably in 1973. Due to the stronger return flows within capital movements and export credits the German economy's total net contribution declined from about DM 2.1 bn in 1972 to about DM 800 mn in 1973. This reduction should be a consequence of the Federal Government's restrictive policies and the doubtful situation in the monetary sector causing importers of German goods to avoid indebtedness in D-Mark.

**Securing of Raw Material Supplies:** German enterprises' investments in LDCs will in future increasingly be undertaken for the securing of the raw material basis. Since numerous LDCs prohibited the export of crude raw materials, the German economy is forced to make more adjustments. Besides, now as before in industries, where wages form a high proportion of costs, there exists a strong trend towards transferring parts of their production to foreign countries.

Deutsche Entwicklungsgesellschaft: DEG (German Development Association), which at pres-

ent contributes to the financing of 108 joint ventures of German enterprises, in 1973 gave 24 financing promises totalling DM 36.3 mn for planned total investments amounting to DM 142 mn. With that the credits promised by DEG totalled DM 202 mn at the end of 1973. As already in 1972, the focal points were Africa and Asia. Of a total of 145 investment promises 110 were given in the sector of processing industries. Here the focal points are the branches of textiles, clothing and leather (27 promises), mechanical engineering and vehicle construction (24) as well as the electrical industry and precision-tool manufacturing (17). 21 promises were given the national and regional development banks and associations, 10 were received by tourism projects.

**German Contributions In Africa:** In 1973 German capital investments in Africa increased from DM 1.8 bn by 19.9 p.c. to DM 2.1 bn. Main countries of investment are *inter alia* Libya, Liberia, Nigeria and Zaire.

According to a survey of December 31, 1973, the German economy participates in deliveries within the scope of orders financed through the EC-Development Aid Fund (EDF) with 13 p.c. of the orders given by the 3rd EDF up to that date (248.6 mn Units of Account: UA). Regarding purchase orders German enterprises obtained a volume of 3.8 mn UA or 8.95 p.c. and with building performances 18 mn UA or 11.6 p.c. In comparison the participation of German enterprises in agreements on technical cooperation was a considerably higher one. The share of West German firms was 47.7 mn UA or 23.76 p.c. of the total.

In former years the German enterprises' participation in tasks of EDF was a larger one. The

declining share is explained *inter alia* by the fact that, due to the favourable employment situation in other markets and the uncertainties regarding the development of exchange rates, German enterprises hesitated to take part in the invitations to tender. In addition only a small number of West German firms disposes of the required and necessarily expensive infrastructure in African countries enabling them to accept orders. Within the scope of their opportunities the EC-Commission and the associations of German enterprises are making efforts for engaging German firms increasingly in invitations to tender for orders within the scope of EDF.

**World Food Situation and Agricultural Policy:** The bad harvests in Africa and Asia in the past years and the effects of deficient developments in agricultural policy brought the farming sector again to the fore of development policy considerations. This was already expressed by a common meeting of the German Foundation for International Development and FAO with 25 experts from 5 industrial nations and 15 LDCs. In the opinion of the conferees an efficient set of instruments is required for the well-balanced food production which is aimed at. These instruments should aim at

an improvement of the situation of the "poor of the world", who mostly are living in the rural sector,

a narrowing of the gap between the congested areas around towns with concentrated industrialisation and rural development areas,

a narrowing of the gap between differently structured rural areas and between privileged minorities and under-privileged groups.

**Agreement on IDA-Funds:** The funds for financing purposes of International Development Association (IDA) seem to be secured. During the negotiations between 25 donor countries in Bonn most of them indicated their readiness to offer IDA a first part payment for its so-called fourth capital accumulation — in spite of the USA's delayed consent. Simultaneously, however, most countries expressed their anticipation that the USA would soon meet its liabilities amounting to \$ 1.5 bn.

According to report the Federal Republic of Germany will meet about one third of its total liability of DM 1.243 bn with its first instalment. The fourth capital accumulation of the IDA-funds, which will mainly favour the least developed countries, is to amount to \$ 4.5 bn.

**Capital Aid for Upper Volta:** In April 1974 a capital aid agreement was signed by the Federal Republic of Germany and the West African Republic of Upper Volta. Favourable conditions have been granted for the credit totalling DM 20 mn — corresponding to about one sixth of Upper Volta's budget (period to run of 50 years, 10 of which are free of redemption, 0.75 p.c. interest). This aid is to finance measures which, on the one hand, will alleviate the direct consequences of the drought-period lasting since 1968 and, on the other hand, shall contribute to a longer-term improvement of Upper Volta's economic and social structure. In detail DM 8.85 mn are provided for the purchase of industrial raw materials and farming equipment. The extension of drinking-water supplies of 9 municipalities, in which 65,000 people are living, is to be financed with DM 1.75 mn. Further credits will mainly serve the promotion of the building trade and of the processing industries.

**More Capital Aid for India:** The Federal Minister for Economic Cooperation, Dr Eppler, promised the Indian ambassador, Mr Puri, to increase German capital aid to India. Simultaneously a faster payment is provided for, too. For the first time a rural development programme in India is also to be involved.

India, according to the Ministry, is the largest of those countries, that suffered most from the latest price rises for raw materials and grain. The country depends on worldwide support in its efforts for a sufficient food production of its own in order to reduce its high grain imports.

The set-backs in India's agricultural production caused additional nutritive problems for the second largest country in the world as regards population density (1971: 550 mn). Reasons for this development are the lack of sufficient winter rains, unsolved irrigation problems and unsatisfactory fertilizer supplies.

**Annual Report for 1973 of Friedrich-Ebert-Foundation:** According to the Annual Report for 1973 of Friedrich-Ebert-Stiftung (Foundation) activities in the field of international cooperation increased considerably.

Following examples of the type of new projects in Third World countries are worth mentioning:

- The dispatch of economic experts to Malaysia in order to assist the Malaysian Trade Unions Federation in establishing a research institute on economic problems,
- the conclusion of an agreement with Mexico on the cooperation in an adult-education project,
- the organisation of a liaison office attached to the European Communities at Brussels; this

office will be connected with an information and education center.

The number of assistants abroad will continue to grow together with the increasing tasks. Of 116 assistants abroad 68 are working in 9 different African countries, 30 in 7 Asian states, 18 in 8 countries in Latin America and 2 in 2 European states.

The number of assistants installed by partner organisations is also growing steadily. The extension of the number of qualified native experts is to secure that this kind of assistance to countries in the Third World will be aid to self-aid.

**European Development Aid:** The European Community will contribute DM 1.5 bn to the UN-Aid Fund, which is to ward-off the consequences of rising mineral oil prices for the poorest LDCs.

The EC-contribution to the UN-Fund requires a supplementary budget of the Community of DM 750 mn for 1974. Besides the EC-Commission discussed an overall plan for the EC-development aid to associated states, Mediterranean countries and other LDCs.

According to estimates funds amounting to more than DM 15 bn will be required for the next 5 years. The major part of development aid hitherto given by the individual member countries would in future be taken over by the Community. However, there are still basic differences regarding the shape of common development aid between the individual governments.

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*Compiled by the Department on Development Policies of the Hamburg Institute for International Economics.*