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Crisis in Development

At present, the signs are that – in spite of all development efforts – the situation of the masses in the developing countries tends to deteriorate rather than to improve. What are the causes of the development crisis and which conclusions have to be drawn in order to make development aid more efficient?

Frictions, Mistakes and Sources of Error in Aid

by Professor Dr Kurt Hesse, Marburg *

For quite some time development aid has come in for mounting criticism. Donors and recipients alike are dissatisfied with its results. The often avouched partnership has failed to come up to expectations. There is no sign in present circumstances of an end of the era of development aid which Pearson forecasts in his report on "Partners in Development" for the year 2000. There is instead a great deal of evidence to suggest that if the world population doubles between the beginning of the Second Development Decade in the early seventies and the end of this century, the situation of the starving, needy and workless masses of mankind will not only not improve but may, unless a new concept is adopted, even get worse.

From the remarks and warnings which World Bank President McNamara has uttered at

the last world trade conferences, during his consultations with heads of World Bank missions in all parts of the world and on other occasions it is clear beyond doubt that the errors which have occurred in the allocation of funds for development aid and its operation on both sides are recognized as such. Questions have been asked about the sources of these errors though to a less extent only about the unforeseen disruptions and obstructions which are hampering planned development. Mistakes have been made in setting time schedules for the planning of aid and operation, probably because the donors have been using wrong yardsticks to gauge the development opportunities open to the peoples in need. Too much was expected of them. Let us deal first with a few of the many frictions which

have acted as curbs on development aid.

Limited Success in Aid Improvisation

The development aid for African countries and Latin America has been greatly affected of late by two *natural disasters* – the drought in the Sahel zone and the floods in Brazil – both of a kind which in a similar form occur again and again in the Indian sub-continent and other parts of our earth and disrupt the regular supply of food and feedstuffs and planned developments. The drought in the Sahel zone (which comprises Mauritania, Senegal, Mali, Upper Volta, Niger and Chad) has had more far-reaching consequences in that the inundations during the – in any case short – rainy season which are essential for the growing of cereals have failed to materialise. The

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rice crop failed almost completely; the rice growing programme was thrown out of gear; and this had effects not only on the peasants and the people in the few towns who are supplied by them but for the nomads who roam the Sahel with their herds after harvest-time. Their livestock is emaciated and near starvation if it has not been slaughtered already. The whole area has suffered a corresponding degree of impoverishment.

The failure of the rains has lowered the ground-water level so much that many wells have run dry and there is not enough drinking water left for man and beast. The improvised development aid has had only a limited measure of success because the available lorries and aircraft did not suffice for moving the grain and the distribution was often badly organised¹.

Belated Action

In Brazil the situation was in some ways the opposite. The floods deprived the people of their homes and jobs. In another improvised aid operation food, blankets, tools and household goods had to be brought in by aircraft. This had to be done in the northern part of the country in particular to which nature has been far less generous than to the South (which was also hit by floods), not to mention the rich industrial triangle between Rio de Janeiro, Sao Paulo and Bello Horizonte where wages are ten times as high as to the north of the Amazonas.

Unfortunately it must be said that to this very day the necessary conclusions for development aid have not yet been drawn from such disasters as these. A distinction must be made be-

tween long-term planning and improvised plans. If emergency staffs are assembled to cope with such disasters, their measures are usually enacted too late to prove effective. The large industrialised countries have experts in sufficient numbers to satisfy the needs of all developing countries. So far however they cannot be readily drawn upon when wanted. The visit to the Sahel zone of the German Federal Minister responsible for development aid, welcome as it was, was delayed too long; its effects will probably be propagandistic rather than practical because too much damage had already been done and the development of the affected countries had suffered a very severe setback. The need is for speed and adaptability in the allocation of funds and dispatch of experts and also of course for the provision of a suitable fund for such emergency cases and for cooperation with other development agencies.

Effects of the Oil Crisis

Another friction in development aid which has defied planning was the *oil crisis* which hit no less than 16 countries in Africa alone. The fuel shortage and increased energy prices have thrown the development programmes of many of the smaller states out of gear and raised entirely new problems which they could not possibly solve without foreign assistance. The oil states have promised to help. It remains to be seen how far such help will go in solving the present critical situation. If the drought in the Sahel continues much longer, the question will arise whether it is enough to provide food and water or whether new measures, e.g. the resettlement of large sections of the population, are called for.

The *Conference on Raw Materials and Development* which on the initiative of UN Secre-

tary General Waldheim was convened at short notice for April 10, 1974, has also raised grave problems for development aid. They are of an entirely different nature from those posed by the oil crisis because the industrialised states would be hit seriously by the demanded increase in raw material prices, the nationalisation of natural deposits and processing industries and the imposition of price limits on foreign industrial products. If the authorities concerned with these issues in the developing countries will not take a reasonable view of the connection between raw material prices and the costs of industrial production, the industrialised countries will find it impossible to adhere to their present offers and may even have to make further cuts in their development aid allocations. They must presume that higher earnings from raw materials enable these countries, in the same way as the oil states, to do far more for their own development than they have done in the past.

There is a good deal of evidence in support of the view that the demands of the raw material countries will bring about changes in the world economy — as the oil crisis has done — which will have a strong impact on the market-price structure as a whole. Finally, mention may be made of the exchange rate fluctuations as another unpredictable factor which has interfered greatly with development aid and introduced an element of considerable uncertainty into the economic and development policies of many countries.

Inflated Administrative Organisations

In the instances mentioned so far *mistakes* of development aid occurred only insofar as insufficient attention had generally been given to the possibility of

¹ Cf. P. Wallauer, *Wieviele werden verhungern — 6, 10 Millionen? Bericht aus Mali (How many will die of starvation — 6, 10 millions? A report from Mali)*. In: *Frankfurter Allgemeine Zeitung*, No. 70/1974, March 23, 1974.

frictions being encountered and no appropriate organisational measures, including the provision of financial reserves, had been taken. It certainly often happens that there is not enough known about the developing countries. Where the development aid organs are separate from the Foreign Services, as is the case in the Federal Republic of Germany, it must be asked whether the latter should not be involved more closely again in development aid. No public agency is as well placed to express a sound, up-to-date opinion about the conditions in a country as an embassy, legation or consulate accredited to it, and nothing is more dangerous than the conflicts about spheres of responsibility which occur only too frequently.

An excess of organisation and the red tape which goes with it can be impediments hampering both sides, the donor and the recipient. Not only do the activities of different public bodies overlap, but an inflated administrative apparatus is a heavy financial burden for development aid. Much time is wasted, besides, and the responsibility for a particular measure is often passed from one office to another when a number of authorities are brought into the decision-making process.

OVERRATED ABILITIES

A grave mistake often met is lack of a clear understanding of what costs and time are involved in aid measures. Apart from unforeseen occurrences as the natural disasters referred to or political ferment and strikes, difficulties arise from overestimation of the capabilities of the people in developing countries, not only of their physical strength but of their organisational abilities and leadership qualities. There is clear evidence of excessive demands

being made on people who cannot cope with technological developments. Too little allowance is often made for this in planning.

In the case of long-term projects various kinds of cost variations — concerning wages, materials, transport, etc. — have to be taken into account. Inflation is rampant everywhere. The fluctuations in the rates of exchange have already been mentioned. Unquestionably mistakes are made in calculations. Big commitments are often entered into on too small a capital basis, and debts are incurred too readily. Old debts are paid out of fresh borrowings which should rather be used to finance new investments. The recipients of capital aid wrongly see in them a form of exploitation or neo-colonialism.

An especially serious view must be taken of the mistake of spending the available funds on so-called prestige projects which do not fit into the economic scene of the country or on extensive armaments. In this respect those who provide the money must bear part of the blame if they are after "business at any price" and lose sight of the proper aim of development aid — to overcome hunger and want.

Selecting the Right Personnel

Long-term programmes have to be constantly reviewed and adjusted in the light of changing conditions, but this is frequently not done. If the two sides fail to keep in close contact as required, if they do not cooperate in a genuine partnership founded on good will, mutual trust and understanding, it is difficult to go on with started projects as planned. Success or failure of a development project depends on the choice of the right persons for positions of responsibility on both sides. Psychological factors receive

generally too little attention; technical procedures are much easier to settle. When several firms participate in a large-scale project, it is very important to delimit the responsibilities and also to keep client and contractor in accord. A high price has to be paid for ambiguity as happened when the German steelworks was built at Rourkela in India².

The success of every development project as planned depends on the correct attitude of the responsible persons. Irreparable damage can be caused by one wrong appointment to a senior position. Two examples may illustrate the mistakes which can be made in selecting experts: A coffee plantation manager was recruited in Java in 1958 as an expert for growing rice in South Vietnam. For forestry development in the same country a man was chosen who had never had anything to do with tropical timbers and because of his poor French had difficulty in communicating with the Vietnamese authorities concerned. That after a period of adjustment both nevertheless were successful was essentially due to their adaptability, organisational talents and application.

Where smallholders and artisans are in need of support, co-operatives can render good services by advice and practical help, financial assistance, supplying of seeds, fertilizers and implements, and guarantees for the sale of products at steady prices. Changes in the social structure of the country in question play a role, a fact which is often overlooked; undesirable developments will follow if such changes are misunderstood.

Lack of Foreign Confidence

Unbalanced industrialisation must also be regarded as a definite mistake. Especially is this the case if large-scale projects

are involved which depend on foreign markets with doubtful prospects for the disposal of their products and fail to fulfil original hopes for the creation of a large number of new jobs. As the relationship between the public and private sectors of the economy is often misunderstood, the development aid may be altogether in jeopardy because lack of security will shake foreign confidence and deter investors.

This brings us to the *sources of error*, but we do not want to gloss over the fact that we have had no more than a glimpse of the causes of failure of development aid. These sources are, as has been stressed, to be found on both sides but mainly in the human sphere. Mistakes in the granting and acceptance of aid can be due to differences of political and economic thinking. They can be the consequence of imperfect programmes which do not suit the conditions in the developing

country or lack balance and in particular of inadequate, wrongly structured or badly supervised financial arrangements. Although the governments of the developing countries may object to supervision of the use to which capital aid is applied, it is again and again found indispensable in the interest of *both sides*. Distrust is not a suitable basis for fruitful development aid.

Exaggerated Self-esteem among Responsible Leaders

Wrong training systems are another source of error. Broadly speaking, there are too many university graduates and too few well-trained specialists. This also applies to agriculture and the crafts connected with it. In many places the distributive system is inadequate; the importance of the local market is not appreciated. The same is true of the utilisation of domestic raw material sources and the mobilisation of indigenous financial resources. Tax systems require re-examination in the interests of social justice. Aid

must be supported by a wide-ranging inventory of *all* the essential economic facts in the developing country and its economic and development policies. This however is often not undertaken. It requires a suitable statistical apparatus, and in many countries this is also lacking. Mistakes about development opportunities can occur only too easily if one has to rely on estimates.

There is no need to stress how much depends on the co-operation of competent government quarters and their compliance with reasonable suggestions by the aid donor. Here however exist particular sources of error due in the final analysis to an exaggerated view of their own abilities and an urge for prestige on the part of men in responsible positions who are often without the necessary specialised qualifications. There are good grounds for anxiety about the future of development aid. The stand of the developing countries at the UN Conference on Raw Materials and Development has made it more acute.

² Cf., i.a., the remarks of the author in "Planungen in Entwicklungsländern" (Planning in developing countries), Berlin 1965, p. 220 ff.

The Background of the Development Crisis

by Dr Jürg A. Hauser, Zürich *

The background of the current development crisis is extremely complicated, involved and variegated but can on analysis be divided into two large, partly overlapping and in particular interacting causal complexes. One concerns the way in which the great social-technical changes which have brought power, independence from nature and an unprecedented material prosperity to the region of

our "western" civilisation were introduced into the "non-western" areas of civilisation. The other complex stems from the false concept underlying most of the development aid given until now, a concept which actually aggravated the adverse initial position created by the course of historic events. As a consequence we are now faced

with what today are commonly called the "cultural, socio-political and socio-economic problems of the Third World".

Consequences of the European Influence

The era during which the western civilisation came face to face with non-western civilisations can be roughly divided into three periods, a period of

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