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**Article — Digitized Version**

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Intereconomics

*Suggested Citation:* Assmann, Jürgen (1975) : German consultants in the developing countries, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 10, Iss. 11, pp. 334-337, <https://doi.org/10.1007/BF02929318>

This Version is available at:

<https://hdl.handle.net/10419/139289>

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## German Consultants in the Developing Countries

On occasion of the Industrial Promotion Assembly and International Consulting Forum between Arab and European Countries which took place recently in Berlin we interviewed Dr Jürgen Assmann, Secretary of the Association of Independent Engineering Consulting Firms \*. Our questions concerned the role German consultancy firms play in the Arab countries and, more generally, in the countries of the Third World.

IE: Dr Assmann, the Industrial Promotion Assembly and International Consulting Forum between Arab and European Countries was held recently in Berlin. What was its object? Is the lure of Arab money attracting the European consultants?

ASSMANN: The object was to set a realistic dialogue going between the institutions and clients in Arab countries and the European consultancy firms. Apart from technical questions which have been causing difficulties over and over again, the discussion was concerned chiefly with the problems posed by the magnitude of many of the projects undertaken today — sums of \$ 100—500 mn may be involved — and possible solutions for these new types of projects. The European consultants are of course greatly interested in becoming even more active in the Arab

states than they are already. Some of these countries are going through a phase of intensive investment and have a vast need for know-how. The Arab clients on their part have naturally a very strong interest in assimilating European know-how with the help of firms of consultants.

IE: It seems to us that, measured by numbers of projects, the German consultancy firms are so far playing a relatively small part in the Arab states, including Iraq and Iran. Why is this so?

ASSMANN: Looking at the number of projects alone gives a wrong picture. It is true that German firms are engaged in comparatively fewer projects in the Arab states than in the least developed or other developing countries. But the projects are

often very large and highly capital-intensive, requiring an immense planning effort and yielding correspondingly high fees. For this reason the German firms cannot be said to be underrepresented in these countries<sup>1</sup>.

IE: Minister Bahr has been advocating tripartite cooperation — development projects to be carried out with capital from the oil countries and German know-how in third countries. How do you as a supplier of know-how assess the chances for this idea?

ASSMANN: Tripartite cooperation is not really an original idea. For a long time past there have again and again been instances of financially strong states like Kuwait and Saudi Arabia participating projects in countries

\* Verband unabhängig beratender Ingenieurfirmen e. V., Bonn.

<sup>1</sup> See Table 1.

which were short of capital — in Turkey, Tunisia and Morocco for instance — and the funds made available being used to set up complete industrial plants and in third countries to acquire turn-key plants from contracting firms or services from consulting firms.

In the form of tripartite cooperation envisaged by Minister Bahr a special situation will arise in my opinion insofar as the financiers and investors are to be committed to the use of the German know-how at the very beginning of a project. In many cases, I fear, they will only agree to this if they receive other incentives than mere know-how. The giving-up of possible alternatives must be compensated by advantages of governmental agreements.

There are development projects — for example where whole regions are to be developed — of such dimensions that they need the protective covering by

a government and the developing countries themselves will wish to make all the arrangements about their direction with a government. This field may offer opportunities for the practical application of the concept of the Federal Ministry for Economic Cooperation. We ourselves are of course hoping that such tripartite cooperation — like the technical assistance rendered for a remuneration in which we have long been engaging — will be adopted on a substantial scale.

IE: What proportion of the consultancy firms' total activities consists of services in Third World countries?

ASSMANN: Of the total turnover of about DM 1.1 bn, in terms of fees, in the range covered by our Association about 40 p.c. is attributable to work abroad, and non-industrial countries account for the bulk of this. The members of the Association of Inde-

pendent Engineering Consulting Firms have however a typical bent towards work abroad and are thus not representative of the German consultancy in its entirety. A great many consultants have not operated abroad in the past, and not all of them will be both willing and able to set their scope of services so as to conform to the special requirements encountered abroad.

IE: Is there not still something of a gap here compared with the firms of consultants in other European countries?

ASSMANN: A gap of this nature exists to some extent in comparison with France and Great Britain. Several reasons may be adduced in explanation: Owing to the immense amount of reconstruction work after World War II the consultancy profession in the Federal Republic engaged relatively late in foreign business. Besides, we have not the benefit of such connections as France and Great Britain inherited from the colonial era as former mother countries. Double taxation agreements might be an example. Furthermore, we have never been subsidized by the state but have had to rely on our own resources to prove ourselves.

IE: In that case, do you want to be subsidized?

ASSMANN: No, we are in favour of free competition. But this involves getting rid of distortions of genuine competition which result from the activities of official agencies. Public sector institutions in the Federal Republic are providing non-competitive planning, consulting and research services on quite a considerable scale, which is of course hampering the expansion of our firms. This situation has a bearing on the position of German consultants in overseas countries insofar as even an efficient consulting profession cannot be

**Table 1: Projects, Total Volume of Fees and Investments in OPEC-Countries, 1974**

Sector	Number of Projects	Average Volume of Fees in mn DM	Total Volume of Fees in mn DM	Volume of Investments in mn DM
Agriculture	6	1.93	11.58	231.6
Irrigation	9	1.41	12.69	253.8
Industrial Development	5	1.39	6.95	139.0
Marketing	12	1.24	14.88	297.6
Regional Dev. and Architecture	15	3.74	56.10	1,122.0
Road-making small projects	6	0.98	5.88	117.6
Road-making major projects	1	142.50	142.50	2,850
Water-works	1	1.35	1.35	27.0
Transportation	4	2.58	10.32	206.4
Industrial Plants	14	2.33	32.62	652.4
Mining	4	0.81	3.24	64.8
Energy small projects	5	1.94	9.70	194.0
Energy major projects	4	34.28	137.12	2,742.4
Total OPEC	86		444.93	8,899.0
Total	420		1,282.6	25,651.0
p.c. of total	20.40		34.7	34.7

Source: Association of Independent Engineering Consulting Firms; results of inquiries of 44 member firms (43 p.c. of members).

successful in gaining a place abroad unless it secures an adequate workload in its home market and is not supplanted in this market by public planning organisations.

As for our activities in developing countries in particular, we are in some areas still up against competition by the German Association for Technical Cooperation<sup>2</sup> with which we have otherwise a very good relationship. We are discussing the questions arising from overlapping service ranges very candidly between ourselves and believe that they can be solved in the long run. We are altogether confident that the Federal Government will realize that in the long term it needs a strong consultancy profession and that one of the prerequisites is removal of distortions in competition with state institutions.

IE: What do you think are the advantages of employing private firms of consultants rather than state agencies or international organisations?

ASSMANN: Private firms of consultants are in a competitive position and have to specialize in order to hold their own. Above all, they receive fees according to the commissions entrusted to them and do not burden the public budgets with fixed charges. That is enough of an advantage, I think.

IE: It seems to us that the consultancy firms' dependence upon profits is giving rise to special problems. For example, if a firm of consultants makes a recommendation to a developing country to drop a certain project, it deprives itself of a future source of revenue. Can one safeguard against the interests of the consultants carrying the day in such cases to the detriment of the developing country?

<sup>2</sup> Deutsche Gesellschaft für technische Zusammenarbeit (GtZ).

ASSMANN: A suggestion has been made to avoid this risk by placing the follow-up commissions as a matter of principle with consultancy firms other than the one which prepared the pre-investment study. I do not however consider this mode of procedure either desirable or necessary. For on the one hand it would mean forgoing the advantages accruing from placing the work of planning into one hand and from undivided responsibility, and on the other it seems to me that there exist already adequate safeguards. It is in the well-considered interest of the consultant who receives a commission from a developing country to execute it to the full satisfaction of his client, for otherwise he cannot expect to be entrusted with further commissions or to be recommended. Besides, contracts nowadays contain very rigid stipulations concerning liability. If a firm of consultants were to make a deliberate mistake in a pre-investment study so as to earn more money later from planning in connection with the project implementation, it would have to reckon with grave financial consequences.

IE: What is being done by the consultancy firms in order to prepare their staffs for the particular circumstances of their work in developing countries?

ASSMANN: As a rule the firms of consultants which operate in developing countries have been specializing in one country or a few countries, and they can draw on experts who are cognisant of the particular sociological and cultural conditions and can also if necessary communicate in the vernacular. Younger staff members, who possess an adequate theoretical and practical knowledge of their field of activity but have not previously worked abroad, are usually teamed with experts who have

had foreign experience so that their services can be employed without impairing the performance or the success of the project. These "junior experts" as they are called are not being trained in special courses on a more or less theoretical basis for their activities in the developing country but get a pragmatic opportunity to gain the appropriate knowledge on the spot and perfect it there as members of a team with foreign experience as well as suitable attainments in the special field with the back-stopping of their firm.

IE: The firms of consultants understandably consider themselves to be the spearhead of the German export effort. Will you please explain this in some detail?

ASSMANN: First of all, a German consultancy firm which gives assurance to foreign clients by its performance will automatically create confidence in the technology which German industry can offer in the field of project implementation. Moreover, the German consultant will work to German specifications or standards unless the client expresses a contrary wish. This is of course a competitive advantage for German industry which is in this case able to draw on its serial production whereas foreign specifications would require job production methods. The work of planning will to this extent lead to exports of German hardware, and these will consist increasingly of installations involving advanced technologies rather than the relatively simple apparatus and machinery which can be purchased more cheaply on the spot or else in other developing countries.

IE: Do you see no objections from the viewpoint of development policy to the developing countries being thus from the

outset tied to the acceptance of German export goods?

ASSMANN: This argument has much more force as applied to other industrial countries since, on the one hand, a very large number of developing countries have adopted the standard specifications of the former colonial power and, on the other, in some countries there are firms which have close affiliations with industry and set a rigorous steering mechanism in motion. In such cases the specifications and tender documents will be designed with an eye to

the follow-up work, so much that German suppliers will have very little of a chance.

IE: The share of German consultants in direct commissions placed by the World Bank as the executing agency for UNDP was 2.8 p.c. in 1972, 2.6 p.c. in 1973 and 7.1 p.c. in 1974. Is this the sort of proportion which you would consider appropriate?

ASSMANN: Certainly not. We shall shortly hold a seminar with the World Bank at which questions related to greater participation by German consultancy

firms in projects which are financed by the World Bank are to be discussed. The reason for the relatively low share of German firms is, I think, not to be found in their performance image or capabilities. It rather looks as if some nations are just better at gaining orders. In this field we must intensify our efforts. Since the orders for most of the World Bank-financed projects – 90 p.c. – are allocated in developing countries, we shall for this purpose have to set up more offices, branches and joint ventures in the countries of the Third World.

**Table 2: Distribution of German Consulting Firms' Projects by Sectors and Regions, 1974**

Sector	North and Central America *		South America *		Europe without West Germany *		Extra-african States including Iraq and Iran *		Asia / South-east Asia *		Africa *		Total *	
	p.c.		p.c.		p.c.		p.c.		p.c.		p.c.		p.c.	
Agriculture	1	7.1	5	11.3	0	0	2	4.8	5	6.2	32	16.7	45	10.7
	2.3		11.1		0		4.5		11.1		71.0		100	
Irrigation	1	7.1	3	6.8	1	2.0	1	2.4	11	13.6	24	12.6	41	9.8
	2.4		7.3		2.4		2.4		26.8		58.7		100	
Industrial Development	0	0	2	4.5	1	2.0	7	16.6	17	21.0	20	10.4	47	11.2
	0		4.2		2.1		14.9		36.2		42.5		100	
Marketing	4	28.6	6	13.6	3	6.3	0	0	5	6.2	12	6.4	30	7.1
	13.3		20.0		10.0		0		16.7		40.0		100	
Regional Development and Architecture	0	0	8	18.2	11	22.9	11	26.2	1	1.2	15	7.8	46	10.9
	0		17.1		24.0		24.0		2.1		32.8		100	
Road-making	0	0	2	4.5	0	0	4	9.5	1	1.2	47	24.6	54	12.9
	0		3.5		0		7.4		2.1		87		100	
Water-works	1	7.2	3	6.8	2	4.2	0	0	1	1.2	8	4.2	15	3.6
	6.7		20.0		13.3		0		6.7		53.3		100	
Transportation	0	0	1	2.3	3	6.3	5	11.9	9	11.1	9	4.7	27	6.4
	0		3.7		11.1		18.6		33.3		33.3		100	
Industrial Plants	0	0	1	2.3	15	31.3	5	11.9	8	9.8	11	5.8	40	9.5
	0		2.5		37.6		12.5		20.0		27.4		100	
Mining	0	0	9	20.6	5	10.4	0	0	5	6.2	4	2.1	23	5.5
	0		39.0		21.8		0		21.8		17.4		100	
Energy	5	35.7	3	6.8	3	6.3	6	14.3	13	16.1	5	2.6	35	8.4
	14.3		8.6		8.6		17.1		37.2		14.2		100	
Others	2	14.3	1	2.3	4	8.2	1	2.4	5	6.2	4	2.1	17	4.0
	11.8		5.8		23.6		5.8		29.4		23.6		100	
Total	14	100	44	100	48	100	42	100	81	100	191	100	420	100

\* Upper figures = number of projects. – Lower figures = distribution of projects by regions in p.c. – Figures on the right = distribution of projects by sectors in p.c.

Source: Association of Independent Engineering Consulting Firms; results of inquiries of 44 member firms (43 p.c. of members).