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Internal Problems of Development Aid

by Karl Wolfgang Menck, Hamburg *

The unsolved internal problems of Germany's development aid require an early reexamination of the objectives and the concept of development aid against the quickly shifting world-economic background. Numerous hitherto unsettled questions concerning technical aid and its implementation have to be answered soon and expertly.

The development-policy discussions which took place during 1976 in the Federal Republic of Germany and other industrialised countries mainly concentrated on the World Trade Conference, raw material policy as well as the talks about the international monetary system and trade policy. These were the themes which pushed the unsolved internal problems of Germany's development policy into the background. With the tabling of next year's budget the new Minister for Economic Cooperation, Marie Schlei, and the newly elected Parliament see themselves once again confronted by the traditional difficulties of practical development policy. Moreover, in view of further cuts in the Federal Budget, the need for development aid as well as its content and form must be reconsidered.

Development Policy and Federal Budget

The little interest shown by the German public and Parliament in the problems of the Third World has been again and again deplored. Development policy itself has been affected by this apathy. True, despite the general economic recession, the amounts of public money allocated for development aid have risen continually without however reaching the internationally demanded target figure of 1 p.c. and 0.7 p.c. of the GNP for development aid and for public aid, respectively. In comparison with other donor countries, Germany does not come out too badly. Yet not only the experts in the Development Assistance Committee, but also many politicians and economists cavil at Germany's failure to reach the internationally recommended target. These critics see the real reasons for this deficiency firstly in what they

consider the failure to arouse the public's awareness of the importance of the problem and, secondly, in the resistance put up by other ministries to financial demands by the Ministry for Economic Cooperation.

It will, therefore, be necessary to create a public climate "in which it is possible to carry out a generous development policy"¹. To achieve this the public must first of all be better informed about the LDCs and their problems. For public enquiries have proved "that German citizens think the more highly of development aid the more they know about it"². It is, therefore, logical that the development-policy concept of the Federal Republic of Germany regards the "mobilization of public opinion" as an important part of development-policy activities. The intention is "to arouse the public's awareness of the problem"³ and this is to be achieved in cooperation with "groups and institutions . . . which may be expected to have a special interest in development-policy questions and which have an influence on public opinion"⁴. Moreover, more should be taught in the schools about development problems⁵.

On the other hand, public opinion, Parliament, the other ministries and the Ministry of Finance

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¹ E. Eppeler, *Wenig Zeit für die Dritte Welt* (Little time for the Third World), Stuttgart 1971, p. 128.

² *Ibidem*.

³ *Entwicklungspolitische Konzeption der Bundesrepublik Deutschland* (Development-policy conception of the Federal Republic of Germany), amended version 1975, Item 128.

⁴ *Ibidem*, Item 127.

⁵ *Ibidem*, Item 128.

in particular, can be really convinced only by tangible development-policy successes. All experience has shown that the most convincing policy is the one which turns out to be most effective. Material to illustrate such successes should be available not only in the Federal Republic but also in the LDCs themselves. Clearly defined objectives, competent and effective administration, skillful selection of projects and realistic estimates of their effects are among the preconditions required to convince other ministries of the expediency of public development aid and to win the Parliament's support for more generous budget allocations.

Changed Objectives

The general development-political awareness has been shaped not only by the situation in the LDCs themselves but by the changes brought about in the international economic situation by the oil crisis. The oil boycott and the LDCs' demands which were widely considered to be unjustified put the readiness to help to a severe test. The sudden prosperity in some OPEC-countries contrasted with the recession that developed in the donor countries and obscured the poverty of some other more backward countries, particularly those owning scarcely any raw materials themselves. This state of affairs caused the experts to re-examine the whole concept underlying development aid and to work out fresh proposals. They embodied the first results in the form of 25 theses concerning "The policy of cooperation with developing countries"⁶. This paper was followed only a few months later by a review of the development-policy concept⁷. In September 1975 the Christian Democrat opposition held a congress on development policy at which development policy guidelines were presented to the public⁸.

In these various declarations government and opposition wanted to formulate their respective long-awaited response to the changed international economic situation. The result gives no ground for optimism. Generalisations predominate and there are no clear objectives. To mention but one example: It was not made clear to what extent the Federal Republic's own interests, which had been more plainly stated after the oil crisis, were to be harmonised with the development-political objectives of the recipient countries. This

⁶ cf. Politik der Zusammenarbeit mit den Entwicklungsländern (The policy of cooperation with LDCs), In: Bulletin of the Federal Government's Press and Information Office, No. 75, 12. 6. 78, p. 697 ff.

⁷ cf. Entwicklungspolitische Konzeption der Bundesrepublik Deutschland, op. cit.

⁸ cf. Entwicklungspolitische Leitlinien der CDU (Development-policy guide lines of the Christian Democrats), mimeographed.

omission in the view of critics has weakened the case for development aid. In addition, quantitative target figures have been fixed without first making sure that the necessary budget allocations would be forthcoming. In the long run it is likely to become increasingly more difficult to apply such double-bottomed procedure also in international negotiations and carry conviction.

Any attempt to translate the (newly) formulated principles into practical measures is bound to raise numerous problems. Thus the intention to grade aid according to need, the state of development reached and the countries' own achievements is liable to be frustrated by the practice of the donor countries to distribute their grants-in-aid also in furtherance of their own political and economic interests. This danger will persist as long as development policy remains part of general foreign policy. Examples of this happening are already available. Cases in point are Angola, Mozambique and South Vietnam. In all three cases the conditions which made these countries eligible for aid were at least partly fulfilled, and yet actual grants ran into a barrage of criticism. It has also not yet become plain that the main aid effort is being concentrated on the poorest countries and those which have been struck by natural disasters. Of the DM 500 mn allocated in 1976 for technical aid only a relatively small part went to such countries.

Inadequate Machinery

The (new) concepts are not alone in causing problems; it is also difficult to ignore the clamour for improvements in the existing instruments:

LDCs criticise increasingly the use of foreign experts who because of their relatively short stay, language difficulties and cultural barriers are said not to possess enough appreciation of and understanding for, the problems of the host country. It was hoped to solve this problem by the appointment of so-called "integrated experts". As to the success of this experiment, opinions are divided, however.

There is growing criticism, too, of the way of transferring technology by means of occupational and scientific training. It is alleged that form and content of what is being taught does not take sufficient account of the conditions in, and objectives laid down by, the recipient countries. The critics maintain that assistance with the working out of curricula was started too late; that scholarships and exchanges of experts have proved to be of little use compared to the costs; and there is a suspicion that such schemes are mainly designed to further tourism and political objectives.

□ The existing instruments of technical and capital aid are not harmonized with the proposed measures for the diversification of the production structure and for the financing of the corresponding programmes. Up to the present industrial countries have done no more than introduce piecemeal measures of technical aid (such as export promotion through advice and cooperation in market research and opening up new sales channels) and capital aid (like credits for the establishment of industrial enterprises, direct investments for purposes of production transfers), that are not based on any coherent concept designed to bring about a diversification of the production structure in accordance with the New International Economic Order.

Triangular Cooperation

In setting up new aid machinery the so-called "triangular cooperation" which has been advocated by the Federal Government should be used to the greatest possible extent, the aid programmes for individual countries should be utilised as instruments and the employment of private consulting firms should be defined. During the last years these problems became particularly urgent for the German development policy.

In its 10th thesis on the subject of development policy the Federal Government had offered "to promote development projects in other developing countries through triangular cooperation with the OPEC-countries"⁹ and this promise has since become part of the Government's development policy conception¹⁰. The proposal has also found acceptance in the Christian Democrat Union's (CDU) "Guide-lines for Development Policy" in the following more general form: "Development-policy cooperation of LDCs between themselves as well as regional cooperation between LDCs should be strongly supported by the Federal Republic of Germany through its development and foreign trade policies"¹¹.

These intentions have not so far been carried into effect. For the oil exporting countries have shown faint interest in such triangular cooperation because they tend to believe rather in bilateral cooperation and show altogether little inclination to place considerable funds at the disposal of other countries within the framework of development aid. Furthermore, it is also not yet clear how the administrative problems arising from the proposed triangular cooperation are to be solved. The cost of technical aid must be assessed and

agreed by both donor and recipient country. It is furthermore absolutely essential that the recipient as well as the financing state control type and volume of aid services actually rendered by the industrial country. How this is to be done has not yet been discussed.

As long as these problems have not been solved and as long as the interested parties have not yet agreed on the procedure to be adopted, triangular cooperation will prove successful only in isolated cases. The proposed cooperation depends for its success on such an intricate administrative machinery that it is bound to fail without the wholehearted readiness of the raw material exporting countries to play their part. The foreign exchange revenue of these countries was, however, much lower than had been assumed in first forecasts in the autumn of 1973 and spring 1974. Bottlenecks have appeared in some as in Indonesia and Iran, which show plainly that the financing even of some of their own projects has run into difficulties through the unexpected shortfall in foreign exchanges. This setback has made these countries even less inclined to promise to grant generous aid to other countries. It has thus become even more doubtful whether any further triangular projects will ever be realised.

Aid Programmes for Individual Countries

Triangular cooperation apart, it would also be advisable critically to review and possibly to develop further the aid programmes for individual countries. Regarding the continuation of these programmes the Federal Government stated its intention to apply "a process of planning which leads to comprehensive internationally coordinated medium-term programmes of cooperation with LDCs"¹². The underlying idea is that "the German Government would participate in regional planning in cooperation with those LDCs in which the Federal Republic engages itself particularly strongly and where it thinks conditions are favourable for giving more assistance and in a more systematic manner"¹³. Among the states "which may be considered eligible for long-term programming of German assistance" are: "Ghana, Nigeria, Kenya, Morocco, Tunisia, Zambia, Cameroon, Tanzania, Indonesia, Korea, Ceylon and Thailand, but also the countries of the Andes — Bolivia, Columbia, Peru and Chile."¹⁴ "The nub of the new concept is the implementation of different regional and sectoral linked projects . . .

¹² cf. Entwicklungspolitische Konzeption der Bundesrepublik Deutschland, op. cit., Item 19.

¹³ cf. K. H. S o h n , Entwicklungspolitik. Theorie und Praxis der deutschen Entwicklungshilfe (Development Policy. Theory and Practice of German Development Aid), Munich 1972, p. 173.

¹⁴ ibidem.

⁹ cf. Politik der Zusammenarbeit, op. cit., p. 696.

¹⁰ cf. Entwicklungspolitische Konzeption der Bundesrepublik Deutschland, op. cit., Item 91.

¹¹ Entwicklungspolitische Leitlinien der CDU, op. cit., p. 13.

The purpose of such linked projects is to increase the effectiveness of the available machinery by its concentrated application while rationalising the planning, implementation and control procedures by reducing the number of projects and, at the same time increasing the size of the funds.¹⁵

Only very few examples are known of a successful application of the aid programme for individual countries. Incomplete data, inappropriate planning procedures and unrealistic targets have obstructed precise plans suitable for the identification of linked projects. Unreflected reservations regarding planning as such with an eye to the economy in several socialist states impeded additionally the efforts for working out plans and for their acceptance as criteria for economic policy decisions¹⁶. This is why, in spite of intensive preparations, the concept of concerted aid programmes for individual countries has dropped into the background, though this does in no way disprove their potential usefulness for the planning of development aid, particularly as a means of working out long-term schemes of linked projects. Besides, it still remains to find out with which measures the Federal Republic can aid the LDCs in working out plans in order to create more favourable conditions for the application of this instrument.

Another reason why aid programmes for individual countries have made so little impact is that no exchange of information between the donor countries took place during the planning stage. As a rule the exchange of information was confined to projects that had already been agreed upon. There were several, in part irrelevant, reasons which made cooperation in the earlier stages impossible. This was particularly noticeable when it was a question of agreeing on individual measures, for the great number of the donor countries rendered the decision-making process extremely cumbersome. Even within the European Community no agreement has so far been reached about the harmonisation of non-community aid projects; the competent ministers are still discussing this point, but have as yet made little progress. As long as the efforts for integration fail to reach more tangible results, it will be impossible to coordinate such aid programmes with the measures of other donor countries before the project is ready to be started.

The aid programmes for individual countries are bound to remain restricted to the field of technical

assistance as long as other agencies are not persuaded to share in the responsibility for them. Harmonising the views of the GTZ (Association for Technical Cooperation), the KfW (Reconstruction Loan Corporation) and the DEG (German Association for Development) has again and again been a tedious and at times only partly successful business. The activities of German firms investing in LDCs and the efforts of German importers trading with LDCs and thereby helping them with their exports should also be embraced by the common policy if the aid programme for individual countries is to offer a complete framework for decisions. The ground-rules governing the German market economy provide at best some harmonisation of views and activities, but even for that no framework does as yet exist. Besides, private firms are not exactly keen on the idea because in the past the responsible Ministry in proposing the concertation of plans let it be understood at the same time that it would like to gain an influence on the decisions taken by free private enterprises.

The Use of Consulting Firms

Since the opinion of the Federal Audit Office on bilateral technical aid was published, it has become a moot point as to whether private consulting firms or state organisations should be responsible for the implementation. The discussion is concerned with such subject matters as cost advantages, expertise, flexibility and control over the money expended as well as evaluation. On the one hand it is argued that consulting firms in watching over the implementation of a project do not always take account of development-policy objectives. Against this the other side points to many successfully concluded projects which witness the effectiveness of such consulting firms¹⁷. The arguments advanced by either side are as yet not based on accurate analyses; the evaluations of the various projects are not open to inspection so that no final conclusion can be drawn from them. The risk therefore still exists that the specific advantages and disadvantages of state-administered as against privately conducted control of development aid are not judged in the light of the true facts. The information required to arrive at objective decisions should be prepared as quickly as possible so that suitable and operational criteria may be established by which it is possible to decide whether for certain aid operations private consultants are better suited or public administrators.

¹⁵ *ibidem*.

¹⁶ cf. C. Uhlig, *Zur Wirtschaftsordnungspolitik in Entwicklungsländern* (On the policy relating to the economic order in developing countries), in: *Wirtschaftspolitik, Wissenschaft und politische Aufgabe*, publ. H. Körner, Bern and Stuttgart 1976, p. 538 ff.

¹⁷ cf. D. Kerschull, *Consulting Business in Need of Reform*, in: *INTERECONOMICS* 1973/4, p. 121; R. A. Solo, *Organizing Science for Technology Transfer in Economic Development*, Michigan 1975, pp. 12/13; J. Assmann, *German Consultants in the Developing Countries*, in: *INTERECONOMICS*, 1975/11, p. 334 ff.