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Article — Digitized Version

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Intereconomics

Suggested Citation: Kebschull, Dietrich (1978) : Too much money for development?, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 13, Iss. 11/12, pp. 261-262, <https://doi.org/10.1007/BF02929253>

This Version is available at:

<https://hdl.handle.net/10419/139570>

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Too Much Money for Development?

For the majority of Third World countries economic development is not conceivable without external financial support. It is an open question whether the contributions demanded from the industrial nations for that reason are to be justified scientifically. A dispute on this subject, however, is after all useless. For, without doubt the targets according to which the rich states are to provide year by year at least 0.7% of their GNP from public funds and at least 1% of their GNP including private contributions for development tasks are a compromise resulting from lengthy political negotiations.

In the meantime the target figures have in reality become guidelines for procedure and rate of assessment for the cooperation between peoples. He who obtains the objective of 0.7% may rely on unanimous international praise whereas in the opposite case he has to anticipate worldwide reprimand and criticism. During the last years the Federal Republic of Germany has incurred this blame frequently because more than the 0.3% to 0.4%, obviously reached with difficulty, are being expected from it because of its economic power.

Against this background it is not astonishing that for years German development experts of all political parties are looking for opportunities for approaching this target at least gradually. Therefore even recently it was celebrated as a success of development policy when the budget of the ministry in charge was raised by DM 400 mn. The rather dubious condition linked to this increase, i.e. of financing with it supplies to developing countries favouring structurally weak branches and raising the level of employment, mostly came to nothing. Deliberations concerning the quality of contributions when the target of 0.7% were reached, played obviously a minor role. Unambiguously this is a problem of quantity!

In the meantime not only governments but also churches, trade unions and private agencies are directed towards this target. During two decades of international cooperation the idea was hammered into them that this was the minimum for fighting absolute poverty and giving the developing countries at least the hint of a chance of realising their aims. After this intensive moral suasion campaign a report published a few days ago in the German press must therefore meet with amazement and lack of understanding. For, this report says that the Federal Minister for Economic Cooperation would have to return DM 160 mn to the Federal Minister of Finance because he could not spend these funds during the period provided for. This is no German problem alone as is proven by the fact that the European Development Fund needs DM 111 mn less from the Federal Republic for the same reason.

It would certainly be premature to conclude from such reports that the developing countries' capital requirements are in reality lower than generally assumed or that the aid is obviously superfluous. For, the magnitude of poverty is still growing. Since also the performances of other countries and multilateral organisations did not increase to such an extent that the German support has suddenly become superfluous, other causes must be responsible for this seemingly strange development.

There are many indications that the decisive bottleneck for the slow outflow of funds is to be found in the practice of allocating funds. Above all the introduction of the "absorptive capacity" has raised two decisive barriers. Firstly, funds for the financing of projects and programmes are usually provided for only in the case of an economic justification — i.e. if the expected benefits are higher than the costs. Secondly, it favoured the genesis of an administration that always is in jeopardy to push to the background its primary development policy tasks in favour of perfecting its methods and mechanisms of public accounting. This development

does not appear to be a typically German or European one. Without doubt this is a worldwide phenomenon which becomes the more distinct the smaller the funds provided for by the specific donors.

In this connection there is no need to point out that the planning, assessing and controlling agencies take the dubious credit for solving the problem of the utilisation of funds – though in a strange way. For, the more they assess according to increasingly sophisticated criteria the more funds they claim for themselves. Although figures concerning costs have to be taken with a grain of salt there should be hardly any doubts that the results stated in a German study of 1973 are accurate at least in tendency. According to this study bilateral aid used still less than 10% of available funds for its own set-up. The multilateral organisations, however, reached shares of 30 to 75% already then.

In view of such an administrative expenditure it can hardly be recommended with a good conscience to distribute through multilateral channels more than hitherto the development aid funds of a country like the Federal Republic of Germany – funds which in conformity with human requirements have been raised. On the other hand an extension of bilateral administrative agencies can hardly be advocated although the specific donor deems an examination of his expenses necessary. Or would it be desirable that Parkinson verifies his experiences of administrative super-agencies taking example by bilateral economic cooperation, of all things? Which loophole does then remain for a development policy realising the fact that a solution of the North-South conflict will remain absolutely utopian without a considerably higher financial support of Third World countries?

The way out can only be found in another allocation practice. It would be foolish to shape it in such a way that the basically reasonable preliminary examination according to economic criteria is being renounced and development capital shovelled at discretion into developing countries and more or less anonymous development funds. Public creditors or donors do not only have the right, but also the duty towards the citizens financing them, to control the utilisation of funds. And it is certainly no indication of a particularly progressive mind and kindness towards developing countries if this is being renounced – mostly for easily perceptible reasons. Moreover, the development problems would not be solved more easily. Or will anybody maintain seriously that the allocation of funds will be simplified and improved alone by the fact that in these cases it will be undertaken not jointly but by the developing countries alone?

As everywhere else the solution of the problem should not lie in an unreflected switch towards the opposite extreme after the present practice gave rise to criticism. It will be more a question of gradual improvements of the already existing situation. This means that with the projects of economic cooperation – particularly in the bilateral field – the methods of project identification, examination and control will be simplified. It cannot be the question of rolling out economic analyses to such an extent that their results in writing hardly give any information owing to the many assumptions. Instead of this plausibility deliberations and rough cost-benefit considerations should normally suffice if only for reasons of the economic use of time. Besides it has to be pointed out expressively that development is not an exclusively economic process (as the economists like to insinuate!). This means that there is no unambiguous primacy of economics regarding project policy.

A policy of cooperation conceiving itself as part of a worldwide economic, social and possibly foreign policy will far more easily find reasonable opportunities for the employment of capital. Perhaps it could smooth the way for the realisation of the numerous required small-scale projects and programmes in the agricultural sector whose realisation does not take place today due to the fact that the present examination and planning effort relatively to the scale of the project would be too excessive.

Such a change of course is not possible between now and tomorrow. In the industrialised countries it requires some effort for reorientation. But it appears to be unavoidable if development policy is to find its way out of the blind alley which it obviously has got into.

Dietrich Kobschull