

Betz, Joachim

Article — Digitized Version

## The internationalization of development policy

Intereconomics

*Suggested Citation:* Betz, Joachim (1979) : The internationalization of development policy, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 14, Iss. 1, pp. 25-31, <https://doi.org/10.1007/BF02924503>

This Version is available at:

<https://hdl.handle.net/10419/139587>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

# The Internationalization of Development Policy

by Joachim Betz, Tübingen \*

**It has been evident for some time that the proportion of the public development aid which is distributed through multilateral channels is increasing. The causes of this process are examined in the following article which is based on the author's doctor thesis <sup>1</sup>.**

Most of the theories put forward to explain why the tasks devolving on the states are being internationalized assume some kind of deterministic self-generation of international organizations to be at work. Growing interdependence in the world economy together with concurrently rising social demands is believed to be responsible for a diminishing capability of the national states to satisfy these demands within a national framework and for a substantial weakening of the states' ability to exercise control over the environment. It is relatively immaterial in this context what is considered to be the essence of this interdependence — whether it is thought to reside in the increasing dimensions of technological installations, which are growing so large that they can no longer be set up by one single state, or in the increasing international mobility of labour, capital and technical knowledge — as represented by multilateral corporations for instance — or in international or transnational environmental burdens. What matters in the end is the inadequacy of the attempts at national regulation and the necessity of compensating for this deficiency by internationalization of certain functions <sup>2</sup>.

Theories which place the responsibility for the creation of international organizations on the working of international social forces or else on converging perceptions of their national interests by the national governments are put forward less frequently and usually presented without an indication of the technical and economic attributes of international functions <sup>3</sup>.

\* University of Tübingen.

<sup>1</sup> Cf. J. Betz, *Die Internationalisierung der Entwicklungshilfe (The internationalization of development aid)*, Baden-Baden 1978.

<sup>2</sup> Cf., among others, J. P. Sewell, *Functionalism and World Politics*, Princeton 1967; E. B. Skolnikoff, *The International Imperatives of Technology*, Berkeley 1972; R. O. Keohane, J. S. Nye, *Transgovernmental Relations and International Organizations*, in: *World Politics*, Dec. 1974; C. F. Bergsten, R. O. Keohane, J. S. Nye, *International Economics and International Politics: A Framework for Analysis*, in: C. F. Bergsten, L. B. Krause (eds.), *World Politics and International Economics*, International Organization, 29/1975.

<sup>3</sup> Cf., among others, E. B. Haas, *Beyond the Nation State*, Stanford 1964, or J. B. Sewell, *UNESCO and World Politics*, Princeton 1975.

That development aid is an international function seems obvious as the benefits of successful development policy (expansion of world trade, deceleration of population growth and a lasting world peace are mentioned most frequently) accrue on a world-wide level. Cunningham put this point categorically when he said: "Bilateral aid administrations are essentially an inappropriate device for dealing with a global condition . . ." <sup>4</sup>. Critics of the social system go so far as to describe international development agencies as the indispensable superstructure of the multinationalization of capital and as a means of helping the common needs of the industrialized countries for the removal of the obstacles to the utilization of capital in developing countries towards a break-through <sup>5</sup>.

Admittedly these theses seem to be refuted by the fact that the bulk of all development aid (61 % in 1976 <sup>6</sup>) is still being provided bilaterally. The multilaterally distributed part has in fact increased considerably (5.9 % in 1965, 16.6 % in 1970) but it is questionable whether this has happened because in an interdependent world bilateral aid is inadequate or inefficient. If this is not the case, there must be other reasons which induce the industrialized countries to "untie" their aid supplies and to accept the loss of influence on the borrowers which is entailed in the multilateralization of development aid.

The internationalization of development aid cannot be said to be an absolute necessity, simply because the bulk of the aid services is still, as pointed out, settled bilaterally and because some bilateral donors are most prominent in the areas in which multilateral aid would at a first glance

<sup>4</sup> G. Cunningham, *The Management of Aid Agencies*, London 1974, p. 1.

<sup>5</sup> Cf., among others, R. Tetzlaff, *Die Entwicklungspolitik der Weltbank (The development policy of the World Bank)*, in: *Leviathan*, 4/1973, p. 502; similarly: J. Käkönen, *The World Bank: Bridgehead of Imperialism*, in: *Instant Research on Peace and Violence*, 3/1975, p. 150 ff.

<sup>6</sup> Cf. the data in: OECD, *Development Co-operation, 1977 Review*, Paris 1977, p. 188.

be more acceptable. From a purely technical point of view all development policy could – given a modicum of coordination – be carried on bilaterally, for instance by each donor focusing on one group of recipients or one specific sector.

A similarly critical view must be taken of the arguments which concede to international agencies a natural precedence in regard to the coordination of the various development activities. Multilateral organizations have indeed engaged in coordinative activities on quite a remarkable scale but this is, in part at least, a reaction to the luxuriating development jungle which the proliferation of international organizations has helped to create. Besides, the technical coordination of development aid could be undertaken by the principal (bilateral) donor in each particular case. That international agencies are performing coordinative functions for the activities listed below has in our opinion other reasons:

#### Reasons for Coordinative Functions

□ International organizations play an important role in mobilizing bilateral resources for jointly financed projects. Projects of this kind are for the most part examined, supervised and evaluated by multilateral institutions, with considerable bilateral (administrative) cost savings. There exists, besides, the possibility, *after* tenders have been invited and selected, of national firms taking on bilaterally the part contracts which have been awarded to them. That the aid was originally “untied” need thus not be irksome. Moreover, the joint finance of projects by national authorities creates opportunities for assistance in areas (e.g. integrated agricultural projects) which would otherwise often be unavailable.

□ Multilateral project execution with indication of the national donors concerned in the particular instance is typical of the so-called bi/multilateral projects. These offer the advantage of economies in bilateral administrative costs although the recipient sees them run under a national flag. Aid projects of this type are operated by the Inter-American Development Bank (IDB) in particular and, on a smaller scale, over so-called Trust Funds, also by the UNDP. Some of the allocations to international organizations for this purpose had to be spent on goods and services from a national donor who was thereby enabled to appropriate the advantages of bilateral project assignment without having to bear its costs. The Scandinavian countries in particular and other non-traditional donors (Canada, Switzerland, the Federal Republic) show a certain preference for this mode of procedure.

□ The World Bank is playing an important coordinative role in the consortia and consultative groups of which it is the leader. These are a sort of “pledging conferences”: the donors indicate what aid they can give to the country in question. The World Bank has the function of procuring information about the economic progress and policy of the country (Country Reports) and of acting as an intermediary between the lenders and recipients. On the one hand it exerts a certain pressure on the lenders to increase their commitments and better the credit terms; on the other it subjects the performance of the borrowers to a critical review and on occasion insists on improvements: “The coordination group helps to shed light on shortcomings or difficulties in the economic performance of the recipient country and to set things to rights”<sup>7</sup>. If these groups were under bilateral management – which would be technically feasible – the foreign-political relations with the countries in question would be subjected to a severe strain. It is also to be borne in mind that consortia and consultative groups are only formed for countries which are so large and whose external economic relations are so diversified that they cannot be treated as clients of one (dominant) donor.

□ The particularly important coordination of development aid on the (internal) country level was for a long time quite defective, and there has been some improvement more recently, a fact which has to be attributed mainly to the introduction of country programming by the UNDP and, later, the European Development Fund. The decentralization of the UNDP turned its resident representatives in many countries into switch points for the coordination of the technical assistance and in some countries also of the capital aid. The UNDP is sometimes taking charge of the supervision over projects financed from other sources, it is organizing aid coordination meetings on a project, sector and country-wide level and giving an impetus to technical cooperation between developing countries. Its achievements to date however are rather modest, which is partly due to the fact that bilateral authorities are not always very cooperative. This is especially true of dominant donors in countries where they have made much greater commitments than the UNDP and are pursuing interests of their own. It is only natural that the smaller donors tend to cooperate more closely with the UNDP. It is important in this context that internal coordination of the development aid by bilateral donors is ruled out by the sensitivity of the recipient countries to any interference with their sovereignty.

<sup>7</sup> Cf. IDB, Annual Report 1975, p. 58.

Summing up, we may thus note that the provision of manifold coordinating services by international organizations is attributable to the aim of cutting down on the administrative costs of bilateral agencies on the one hand and the special sensitivity of the recipients to this kind of activity if practised by bilateral authorities on the other.

### The Efficiency of Multilateral Agencies

The question whether international administrations work more efficiently than national ones is one which bilateral circles always answer in the negative: "On the project level ... development aid of a bilateral kind is probably the more efficient one"<sup>8</sup>. The charge of inefficiency, extravagance and overmanning (especially in the more lucrative jobs) is levelled more particularly at the UN organisations<sup>9</sup>. Some authorities therefore justify the preponderance of bilateral services in their development aid on the ground of low efficiency on the part of international organizations<sup>10</sup>.

The first comment to be made on this charge is that it is extremely difficult to compare development aid services in regard to their relative efficiency. It would be naive to take only the ratio of administrative costs to total services into account; consideration has to be given in particular also to the cost intensity of the rendered services. It is quite obvious that large infrastructural projects involve lower administrative costs than do for instance small agricultural consultancy projects. The administrative costs of development aid will be all the higher

- the smaller are the projects,
- the lower is the proportion of aid rendered in the form of goods,
- the higher is the contribution of technical assistance,
- the greater is the degree of country involvement (through missions to the country, coordination in the country, etc.),
- the smaller is the share of remittances to third parties engaging in project execution proper,

<sup>8</sup> Cf. W. Böll, *Internationalisierung der Entwicklungshilfe?* (Internationalization of development aid?), in: Th. Dams (ed.), *Entwicklungshilfe — Hilfe zur Unterentwicklung?* (Development aid — aid for underdevelopment?), Munich 1974, p. 172; similarly: K. H. Sohn, *Entwicklungspolitik*, Munich 1972, p. 165; Forum SPD, *Entwicklungspolitik. Die soziale Frage des 20. Jahrhunderts*; *Kommissionentwurf — Entwicklungspolitische Leitlinien der CDU* (Development policy. The social issue of the 20th century; Committee's draft — Development policy guidelines of the CDU), Bonn, Sept. 4/5, 1975, p. 11.

<sup>9</sup> Cf., among others, *UN-Diensttourismus* (UN service tourism), in: *Frankfurter Allgemeine Zeitung*, May 12, 1975; *Den Hunger administrieren* (Administering for hunger), in: *Neue Zürcher Zeitung*, Sept. 6/7, 1975; *Ich sehe nicht, wie man mit reiner Lehre weiterkommt* (I can't see how to move forward merely by pure theory), in: *Deutsches Allgemeines Sonntagsblatt*, April 23, 1978.

<sup>10</sup> Cf., among others, *Netherlands Development Policy 1976*, p. 21; *Sweden's Policy for Cooperation with Developing Countries 1977*, pp. 17 and 29 f.

- the fewer services are undertaken for third parties,
- the less consultancy work is involved in the project, and
- the smaller is the development programme of the donor as a whole.

Only by ignoring these facts can one arrive at such rash and inevitably wrong conclusions as are found in the only study on cost comparison between bilateral and multilateral agencies which has so far been published<sup>11</sup>.

According to our own calculations — which are based in part on internal data of the Federal Ministry for Economic Cooperation — the administrative cost of capital aid is working out at 2.8 % of total volume for the German development aid, at 2.8 % for the World Bank, 2.5 % for the Asian Development Bank, 3.8 % for the IDB and between 3.5 and 4.7 % for the European Development Fund<sup>12</sup>. These figures were obtained without allowing for the above-mentioned reservations, i.e. without taking into consideration that international organizations provide many services for bilateral authorities, render very little aid in the form of goods themselves and concentrate more on development sectors with a high administrative and advisory element.

Technical assistance provided on the way over international organizations is quite definitely more expensive than the technical assistance rendered by the Federal Republic (the administrative costs of all UN agencies average 18.9 % compared with 12.3 % in the Federal Republic). It has to be borne in mind however that the development costs of the UN are greatly inflated by the overproportionally high administrative expenses of the mini-funds (UNIDO, UNEP, etc.), that no allowance is made in these figures for the administrative costs of services rendered by UN agencies or for the fact that a part of the administrative costs of the German technical assistance is borne by the private firms which provide it. Even so it has to be admitted that the administrative costs of multilateral aid are no lower than those incurred in bilaterally provided aid, from which fact it follows that if the national states multilateralize their development aid, they certainly do not do so for the sake of economy.

### Geographical Aspects of Development Allocations

In regard to the geographical distribution of the development aid efforts have been made, especially since the oil crisis and since a significant

<sup>11</sup> Cf. K. Kirchhof, U. Popp, *Der administrative Aufwand der Entwicklungshilfe* (The administrative expenses of development aid), Berlin 1973.

<sup>12</sup> Cf. J. Betz, *ibid.*, p. 53 ff.

differentiation process was first noticed in the Third World, to focus the development aid on the poorest countries which have no access to the international capital markets. Before these efforts were made, neediness featured hardly at all as a criterion for the allocation of development aid. International organizations have been acting as pacemakers for this process of aid redirection, and the situation today is still that the poorer developing countries receive a larger share of the concessionary multilateral aid than of the bilateral one (see Table 1).

**Table 1**  
**Proportion of Development Aid Going to the Poorer Countries**  
(in %)

	1969	1971	1972	1973	1974	1975
(a) L L D C s (29)						
All DAC countries	6.95	7.62	10.84	13.29	14.00	17.55
Multilateral, concessionary	12.94	14.46	16.83	20.82	20.72	24.20
(b) M S A C s (45)						
All DAC countries	32.37	32.80	28.20	30.70	35.06	39.46
Multilateral	44.46	42.34	42.25	51.78	53.81	57.91

Source: Author's own calculations based on: OECD, Geographical Distribution of Financial Flows to Developing Countries, Paris 1977, and OECD, Development Co-operation, 1977 Review, Paris 1977.

There are however substantial differences between the aid contributions of individual donor countries which are masked by the average figures covering all DAC countries: the criterion of need played very little part in the development policy of the USA, France, Japan and Australia while the Scandinavian states, the Netherlands and Canada paid even more attention to it than did the multilateral agencies.

The view taken in the Federal Republic in particular is that it is better to concentrate the development services on a few recipient countries than to scatter them broadcast over the whole globe. A distinction between these two methods of development aid is not very enlightening however, for an analysis of the geographical distribution of the aid allocations shows that several bilateral donors (Sweden, Norway, the Netherlands, Belgium, Australia) focus a large part of their aid on a few recipients while spreading the remainder in minute amounts over almost all other developing countries whereas others (the USA, Great Britain, France, the Federal Republic and Canada) and the international organizations do not direct an equally large proportion of their aid to the main recipients but assign substantial and, in my view, under development aspects significant amounts to the other states. The allocation of minute sums — mostly less than \$ 100,000 per country and year — is to be regarded as a "foreign-political subscription fee" in recognition

of the political independence of the recipient; as such it is paid almost exclusively through bilateral channels.

There are of course considerable differences between national and international allocations to countries with which the donors have historical or military-strategic links. In 1970–1974 exactly one quarter of the total bilateral aid went to 18 dependent territories and 6 strategically important countries (Vietnam, Laos, Khmer Republic, Malta, Jordan and Israel) which account for 2.2% of the Third World's population. The aid of multilateral agencies for these countries on the other hand was negligible.

It is worth pointing out however that the countries with a special relationship with "their" metropolis account for a declining share of total development aid. There are some interesting differences between them however: the countries which were released first from their dependent status are receiving much less of the total aid provided by their former metropolis while the share of the territories which are still dependent upon them and those in the most palpable form of dependence is increasing. It seems undeniable to me that the multilateral development aid has helped to bring about this distribution pattern insofar as it has been directed progressively to countries without such "special links".

Outside the circle of favoured aid recipients there is hardly any evidence of the often assumed compensatory effects of multilateral aid: countries with a plus or minus of bilateral receipts are not necessarily awarded smaller or larger compensatory allocations by international organizations. Part of the explanation for this is to be found in the fact that during the period which we have examined the resources of multilateral agencies would not have been sufficient to make up for the gross inequalities in bilateral aid distribution — even if this had been intended — and also in the doubtful relevance of efforts at compensation which leave the need of the recipients out of account: should prosperous developing countries perhaps get more multilateral aid merely because they receive too little bilateral assistance?

An approach to the problem from another angle can provide evidence of greater relevance: among the states which obtain a more than proportional share of their total development aid receipts from international agencies (i.e. more than the average multilateral share of total development aid) will be found — in addition to the majority of the least developed countries — a remarkably large number which were never colonial dependencies of a metropolis or else resigned from the Commonwealth or the French-led OCAM at a later date. Among them are quite a number of "trouble-

**Table 2**  
**Development Aid for Agriculture**  
 (in \$ mn and in % of total aid)

	Wider Definition **			Narrower Definition *		
	1973	1974	1975	1973	1974	1975
DAC countries						
(in \$ mn)	881	1,767	1,224	802	1,218	1,096
(in %)	6.8	11.9	9.6			
Multilateral						
(in \$ mn)	1,243	1,917	3,025	996	1,467	
(in %)	19.8	24.4	33.5			

\* Activities contributing directly to an increase of agricultural production.

\*\* Including, besides, agro-industry, fertilizer factories, rural infrastructure.

Source: Cf. OECD, Development Co-operation, 1976 Review, Paris 1976, pp. 135 and 236.

makers", i.e. countries with severely strained political relations with the principal donor or close military and political relations with the Warsaw pact. Among them are also developing countries (especially of the kind for which consortia and consultative groups have been formed) which are so large or have already diversified their external economic relations so far that no bilateral donor would still be capable of accomplishing particular interests in them.

An examination of the aid allocations to developing countries which are not assisted by one dominant bilateral donor leads to similar results: their bilateral receipts are below the average and their multilateral receipts are above it.

Most developing countries want to diversify their sources for development aid so as to mitigate permanently one-sided relationships. There are however impediments in the way of such diversification: the non-traditional donors are not acquainted with the local and administrative customs of the country and have sometimes few economic contacts with it. In quite a number of countries we noted that international organizations have taken on a pacemaker function for the non-traditional donors; initial multilateral commitments led on to corresponding bilateral credits and grants to these same countries.

There are no marked differences between bilateral and multilateral aid as regards the allocations to commercially attractive countries or states following a socialist road of development. A broad assumption that superabundant credits are given to the former while the latter are on principle kept on short rations would in general be wrong. As for the criterion of economic performance, we found that generally speaking development aid does *not* depend upon high performance of the recipients; on the contrary, "low-performance" countries are given preference. There are however some significant differences to be noted:

the bilateral aid and the resources of the UNDP, the European Development Fund and the World Food Programme go mainly to countries with a low performance level while the World Bank and the regional development banks direct their lendings chiefly to the developing countries which show a higher performance level. It must be emphasized however that the evidential value of the performance indicators used hitherto is doubtful and that there is no significant statistical correlation between them and the economic growth of the countries in question.

### Sector-by-Sector Distribution

The sector-by-sector dispersion of the assisted projects and their capital intensity and specific nature says more about the quality of development policy than the geographical distribution of the aid allocations. No pattern of sectoral aid distribution has however been accepted as exemplary for any length of time. At one time it was the fashion to put the stress on the infrastructure, at another on technical assistance, at yet another on agricultural projects. Of late preference has been given to projects designed to alleviate urban poverty (small-industry promotion, slum clearance, etc.). A comparison of the sector-by-sector dispersion of bilateral and multilateral aid shows immediately that international agencies give a much higher priority rating to investments in the agricultural area (see Table 2).

The Annual Register 1978  
 of the Review  
 of International Trade and Development  
 INTERECONOMICS  
 is enclosed in this issue

Cloth-bindings for Volume 1978  
 may be obtained at the price of DM 9.—

**VERLAG WELTARCHIV GMBH**  
**NEUER JUNGFERNSTIEG 21**  
**D 2000 HAMBURG 36**

Differences also exist on the sub-sector level: in the last few years in particular increasing emphasis has been put by international organizations on integrated agricultural projects with a multitude of project components and wide horizontal effectiveness whereas bilateral agencies have been focusing more on support for irrigation schemes, agro-industrial combines and the supplying of the means of production for agriculture. One reason for the smaller agricultural engagement of bilateral agencies was (at least until the early seventies) their desire to keep the cost of the financed projects in local currency as low as possible while in fact a high proportion of the cost of agricultural projects — especially of the integrated type although not so much of irrigation schemes and supplies of means of production — necessarily involves heavy spending in local currency. Besides, it can be shown by many examples that national authorities are finding it very difficult to force focal investments which they deem to be the right ones on the recipient countries. This happens especially often in the case of major agricultural projects which have an important bearing on local power and property conditions, necessitate the mobilization of many people in the rural areas and often also involve a modification of the government's price policy. It has to be borne in mind further that the agricultural interests in the developing countries are mostly without a lobby such as exists in the industrial sector because of the presence of many foreign groups; the latter often help to formulate aid projects. Finally, agricultural projects in general and integrated schemes in particular involve so many component elements and large ancillary and advisory staffs that they are much more expensive to administer than, say, road construction projects. The World Bank had to devote to agricultural projects in 1972 already twice as much working-time as corresponded to their share of the Bank's total lendings<sup>13</sup>.

Since the beginning of the seventies international organizations have also been more active in the field of family planning in which the US-AID had previously been predominant. There is no need to point out the political sensitiveness of this subject.

A small part of the total development aid resources only has until now been earmarked for projects to combat urban poverty. At first the IDB and US-AID were prominent in this field through the medium of their low-cost housing schemes while the contribution of other donors was negligible. From 1972 onwards the World Bank engaged more actively in this sector, so far mainly through slum clearance schemes and by incipient steps for

the development of public short-distance transport services. The reluctance of most bilateral donors to enter this field has also to do with the high local-currency element of the expenditure on such projects as well as with the political and organizational problems which may arise in their implementation and the difficulty of securing contracts under such schemes for the construction enterprises of the donor country.

Characteristic of the bilateral commitments is a higher proportion of aid which is not tied to particular projects and mostly takes the form of goods supplies. One reason for this is that these credits are intended to give a stimulus to the donor country's export trade, another is that aid goods are delivered fairly quickly — before the respective allocations can be cancelled by the financial ministries — and a third one is the resistance of more advanced developing countries in particular to more rigid control over the use of project aid.

As far as technical assistance is concerned, we observe a much stronger concentration of bilateral aid on education and training, especially on secondary schools and colleges, although it has been found that from the point of view of development policy it is better to focus on primary schools, adult education and complementary part-time vocational training. Multilateral agencies provide more grants for on-the-job training and trainee assignments to other developing countries. It does not seem unreasonable to assume that much of the bilateral educational assistance still has the aim of advancing particular interests of the bilateral donor. That almost all "political" projects — including a large number for radio, television and the press — are financed by bilateral agencies is consistent with this assumption.

One cannot resist the impression that bilateral agencies find it generally rather difficult to turn down aid projects even if it is recognized that they are only of secondary importance for development because they are afraid of putting a strain on foreign-political relations by doing so. The World Bank on the other hand shows little hesitation to turn down projects.

### **Summing Up**

To sum up our findings: there is evidently no internationalization of development aid entirely due to organizational or technical constraints nor has the multilateralization practised so far led to significant gains in efficiency.

The rechanneling of development aid seems, from the point of view of the bilateral donors, to serve

<sup>13</sup> Cf. World Bank, Annual Report 1972, p. 12.

the purpose of a division of labour which assigns to multilateral agencies the activities which

involve high administrative costs: cost-intensive activities are rechanneled while the political and economic benefit is left with the bilateral donor;

are of no particular geographical or sectoral interest to national development agencies, either because the projects are relatively remote from the market and do not call for any large supplies by the donor or because these activities would put a strain on his foreign-political relations or because the recipients have no special historic or military-strategic links with the donor or have already advanced or diversified their external eco-

nomical relations so far that no bilateral donor can stake an exclusive claim on them;

touch upon political or social sensitivities of the borrower: this has to do with the excessive country involvement of at least some donors (especially the US-AID) at certain times, the shift of development priorities to sectors where there is a greater possibility of interference with internal affairs than under old-style projects and, finally, the diversification of lending agencies through the emergence of new donors (e.g. the PR China, the OPEC states and the increased commitment of the Scandinavian countries) which puts recipient countries in a stronger position to stand up to attempts at unwarrantable interference.

---

ENERGY POLICY

## An Emergency Supply Test for Another Oil Crisis

by Mathias Lefeldt, Hamburg \*

**In the spring of 1978 the International Energy Agency (IEA) staged the second "Allocation System Test", a simulation exercise designed to check the ability of 19 OECD countries to cope jointly with another oil crisis. The topicality of such a contingency test is demonstrated by the disturbances in Iran. The following article sheds light on the motives, objectives and mechanisms of the IEA concept.**

Since the "oil shock" of 1973/74 interested circles in several OECD countries have been considering countervailing action in the event of a recurrence of the supply disruptions since the industrialized countries of the West depend on oil as a source of energy and OPEC countries provide 50 % of the world's output. The International Energy Programme (IEP) which was adopted by the 19 most important industrialized countries (except France) in 1974 and the International Energy Agency (IEA) which was formed as a supervisory and executive organ are the outcome of these deliberations. Their agreed aims and tasks are essentially as follows:

*Emergency Mechanism:* A common emergency strategy based on withdrawals from emergency reserves, economies in consumption and equitable division of all supplies available to the group will be activated should any one IEP country or the whole group suffer a significant disruption of oil supplies. Such "equitable" division between member countries calls for an international mechanism to even out supplies.

*Oil Market Information System:* The IEP provides for a comprehensive information system on the international mineral oil market which, in addition to its general function of elucidating the situation in the world energy markets, is of importance for providing a quantitative basis for the emergency mechanism.

*Long-term Cooperation of the Consuming Countries:* The cooperation between the IEP member countries is not confined to the oil market but concerns the entire energy field. A key area is the development of alternative sources of energy to reduce the dependence upon oil imports in the long term.

*Relations with Producing Countries:* This item on the IEP programme has been transferred in large part to the North-South dialogue and the discussion on a New International Economic Order.

The most problematic part of these arrangements is that which relates to the creation of an emergency mechanism as it necessarily involves concrete regulations on the ways and means of the equitable division of the crude oils and mineral oil

\* Mineralölwirtschaftsverband Hamburg.