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# A Contribution to Peace Policy

by Hans Matthöfer, Bonn \*

**A fresh start is needed in development policy in order to move away from the sort of superficial, over-selective assistance, which is very often altruistic in appearance only, towards a more comprehensive, world-wide structural policy which does not only raise more resources for setting up a productive economy in the Third World, but also combats poverty at its very roots.**

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**T**he disappointing results of just about two decades of systematic efforts to establish "development aid", a policy of development, force us, if we want to do more than pay lip service, to reconsider and question everything in this field: What are the underlying causes of hardship in the Third World? Why do hundreds of millions of people, capable of gainful employment, not find productive work? Why are some 400 million people, about 15 % of the world's population, underfed while fertile land lies fallow or areas of land become infertile because they are not being irrigated?

Anyone seeking to find the causes of economic imbalances of this kind and find ways of correcting them should not forget to take a critical look as well at the complex economic relations with the so-called developed industrial countries, our own structures of production and our own way of life. We must give careful consideration to all previous forms of aid, cooperation and trade, all forms of exchange, reciprocity, dependence and influence.

It is not enough, at least it does not get us any further to take the industrial countries to task for contributing too little to development aid or to press for a level of official development assistance corresponding to 0.7 % of the national product. This is not an attempt of the Minister of Finance to fend off demands. Those who complain that contributions are too low and that there is too little readiness to make sacrifices are quite right. He is grateful for any support which would permit higher expenditure on development policy and a higher real transfer of resources. But it must be

worth-while and its leverage must be as broad as possible. The Minister of Finance can raise the level of this transfers only to the extent to which the German people are prepared to give up part of their national product for the benefit of the Third World, that is, to relinquish a higher proportion of tax revenue without any immediate benefits in return.

To complain about alleged over-taxation and the high ratio of tax to GNP and clamour for tax relief on the one hand, and then to recognise the 0.7 % target on the other, is clearly contradictory. If 0.7 % or more of the GNP were to be made available each year as official development assistance it would mean levying the same amount in taxation from the German people, this year about DM 10 bn, or, to put it another way, it would not have been possible to go ahead with tax relief measures this year. However, most people are not prepared to accept this consequence.

## Own Efforts of the LDCs Required

But one point should be made once again: a rise in development assistance will not, by itself, bring about a solution to the problems of the Third World, if our past experience is anything to go by. If there is any chance of bringing about a real reversal in present trends, of achieving real development of initiating a self-supporting process of development of the productive forces of the Third World, and if these are the objectives for which we want to strive by the joint efforts of all, structures, including those in the developing countries themselves, must be reconsidered, and waste, corruption, oppression and violence in the developing countries themselves must be combatted; it is not enough to complain in the abstract about

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\* Federal Minister of Finance. This article is an extract from a speech held on February 28, 1979.

an unjust world economic order and lay the blame for it on the "rich" industrial countries.

It is far more important to start finding new economically viable forms, for example, for the production of raw materials or for trade, international credit mechanisms, fiscal and monetary policies, conditions for investment, forms which do not simply transfer advantages from the industrial countries to the developing countries but really do serve development. One aspect of this would be for the developing countries to be more careful, more frugal and, above all, more economical in their use of scarce foreign currency. It would also mean that the developing countries should cease to become involved in ever more pointless arms races. No doubt much blame lies with the industrial countries in the West, and, still more, I think, with the states within the sphere of influence of the Soviet Union if there has to be serious discussion of the subject of development instead of armaments. Perhaps the Commission headed by Willy Brandt will succeed in finally attaching so much moral pressure to this subject that the "realists" all over the world, including the Communist countries, will have to adapt to new realities, and wastage of scarce capital on modern weapons will be so condemned that it is at least reduced a little. But here, too, it is not enough simply to make the industrial countries responsible: the governments of the developing countries themselves must be made more effectively responsible. After all, they are the ones who claim to administer the independence and sovereignty of the nation. They must, as far as it is within their powers to do so, determine their country's path to development, they must set the priorities, they are the advocates of people without education, employment, income or food.

If a fresh start is to be made in the international fight against misery in the Third World, if there is to be an attempt to raise yet more resources for the Third World and to change structures, including those to which we have become accustomed, power structures, mismanagement, unjust accumulation of wealth and corruption in the Third World itself must not be overlooked.

### **Social Structures and Underdevelopment**

Of course we have no reason to get on our high horse. Our own history, like the history of all so-called developed countries, is one of selfishness, class struggle and oppression. Despotism and exploitation in the Third World are no doubt connected with the destruction of established social structures which took place during the colonial era and the formation of artificially structured states lacking social, cultural and national inte-

gration. Nevertheless, this should not prevent us from also mentioning those structures, native to the developing countries, which act as a brake on development, or from trying to do something to counteract them.

There is a correlation between exploitation, oppression and unjust economic structures on the one hand and inadequate educational facilities, unemployment and impoverishment on the other in ever expanding urban agglomerations and slums. The relationship between social structures and underdevelopment is one of the most important sets of factors and at the same time one of the most difficult to understand. Anyone who knows the effort that is required to educate a new generation in Africa will realise the extent to which countries suffering at the hands of violent regimes — countries such as Uganda or the Central African Republic, whose ruler has had himself proclaimed emperor — are set back by the devastation which is caused particularly among the educated young. Anyone who has been following the discussions on the stabilisation of commodity earnings, undoubtedly a very important issue, cannot but be aware of the number of countries in which these earnings, without doing anything for the country's development, find their way into private bank accounts, very often in one of the countries which attract hot money. On the contrary, it would often improve a country's prospects of development, if raw materials were not exploited with quite such lack of restraint.

### **A Fresh Start for Development Policy**

A fresh start is needed to establish development policy as one of the recurring subjects of world politics so that no country can stand aside; and a fresh start is needed in development policy in order to move away from the sort of superficial, over-selective assistance, which is very often altruistic in appearance only, towards a more comprehensive, world-wide structural policy which does not only raise more resources for setting up a productive economy in the Third World, but also combats poverty at its very roots.

A policy is needed which first creates in the developing countries the economic and organisational capacity for absorbing capital inflows, technologies and investment from industrial countries. This will be enormously difficult. Even if it were possible in the short term to win public support in all parts of the world and translate moral awareness into real political pressure, it is hard to imagine that structures, including ones which exist in the minds of men, structures which in the past have proved so powerful and unshakeable, could now suddenly be overturned. Development

policy will have to go on being conducted with a great deal of patience. It will take time to establish new and more effective development strategies. Even in the future development will not be all plain sailing, it will not be without its setbacks.

It is not as if the causes of unemployment and underemployment, malnutrition and material deprivation had not been known about for years. Gunnar Myrdal's book, "Asian Drama", which was begun over twenty years ago, has lost nothing of its validity. Nor is it true to say that institutions concerned with the planning and administration of development policy have not learned to identify developmental objectives and to be more successful in directing the various types of assistance to the real causes of hardship. In the early seventies, the Government of the Federal Republic of Germany with Erhard Eppler helped to fashion development policy world-wide, emphasising new aspects such as rural development, job creation without undue inputs of capital or foreign exchange, the search for credit mechanisms for small rural cooperatives, the application of less capital-intensive technologies, the promotion of an education system which makes it easier for people to determine their environment themselves instead of turning away from it with a, perhaps parasitic, white-collar job. We questioned the validity of an economic theory according to which there should be a flow of capital with sophisticated industrial technology without any allowance being made for people or their requirements, motivation, education and their real opportunities to develop, a theory which led to the growth of industrial islands with a new urban slum proletariat and the drift from the countryside. We also asked ourselves whether the transfer or mass production from the industrial countries necessarily contributes to a real process of development since the aim is really only to make use of cheap, readily available unskilled labour.

### **The World Bank's Development Strategy**

The development strategy which then emerged — to develop human educability and productive capacity on a broader scale, to adjust production to man's requirements and, initially, to meet the basic needs of the rural population, that is, food, education, housing and health — was taken up by the World Bank with the strenuous support of McNamara, its president. Since then, projects and programmes to promote rural development, adapt technologies and make use of labour-intensive technologies have been set up and enlarged.

The first fruits of experience and the results of the first studies are now available. They indicate that we did set out along the right road at that time. But the industrial countries cannot force such

strategies on the developing countries. For their part, the developing countries have great trouble in finding out about the full range of technological and economic opportunities which exist and in being able, completely independently, to set priorities orientated solely to the well-being of their people and future generations. The spectacular upheavals during the last weeks and months in Iran, East Asia and China have once again highlighted the sort of conflicts which arise when different economic and technological development strategies are implemented, and revealed the hollowness of the ground beneath many an investment plan.

It must be regarded as the duty of all people everywhere to ensure that man's basic needs, food, health, education, employment and housing, are satisfied in all parts of the world. Raw materials and energy sources belong to future generations, too, and in their interests it must be ensured that economic growth in the industrial countries and developing countries alike is such that raw materials are not wasted and the environment is not destroyed.

### **The Role of the Donor Countries**

Therefore, those developing countries which are prepared to carry out the reforms necessary to bring this objective nearer, should receive greater support than those which are not. A selective policy of support for measures designed to satisfy basic needs is more likely in the end to meet with understanding and support in our own country than aid which derives from considerations of a purely economic nature which is often no more than a way of boosting exports or securing supplies of raw materials. It is no doubt right that it is to the economic benefit of the industrial countries in the longer term that the Third World should be more efficient and better integrated into the world economic system. If one deduces from that that development assistance works to our own benefit, we must be very careful to ensure that everything that benefits us is not suddenly termed "development assistance". Development assistance is that which is planned in the first instance on the basis of development considerations. For example, to force investment goods on the developing countries in order to help German industry in times of structural crisis would be misguided. This type of short-term connection between development assistance and self-interest is costly and benefits nobody in the long run.

One point should be quite clear: under a strategy designed to provide basic needs, the role of the so-called donor countries can only be that of supporting the national measures of the developing

countries. The initiative must come from the developing countries themselves and they are the ones who must create the necessary political conditions. A basic needs strategy must be directed in large part towards creating equal opportunities within these countries, while the debate surrounding a new world economic order, for example, deals primarily with the creation of equality of opportunity for industrial and developing countries. This is not a contradiction, it is a vital complementary aspect.

Securing basic needs means systematically coming to grips with the situation of certain people and certain groups in developing countries. It is, therefore, not sufficient to establish good relations with the ruling classes.

In order to satisfy basic needs, better use has to be made of indigenous means of assistance and raw materials. This is obvious in the case of housing and road construction, public works and infrastructural expansion. But even an improvement in the food supply of outlying villages and settlements will have to come primarily from increased production in these tiny communities. The direct contribution which international assistance can make here is therefore limited. Foreign exchange credits, imported technology and capital transfer are precisely the things on which the increased production of goods to meet basic needs should not be made dependent.

#### **Official Assistance often Misguided**

Even in countries where it is the declared intention of the Government that official assistance should mainly go to help the poorer sectors of the population, it is often the more powerful or the politically active, the people in the towns or in the modern branches of industry who benefit most. Official assistance, such as education, health and housing construction, is, as a rule, not only inadequate but is also concentrated on the towns. Those who benefit most are the middle and upper income groups. There is evidence in some developing countries that official assistance favours the privileged in almost the same way as the distribution of income.

In some developing countries public expenditure has even contributed to a deterioration in the national distribution of prosperity.

In order to meet basic needs it is not sufficient to make financial resources available. There is a need above all for social structures which are able and ready to absorb such resources. Even something as straightforward for us as the water supply must have the collaboration and cooperation of the local population. For, if the water is allowed,

for example, to run unchecked out of the pipes, or taps are not turned off, the resulting damp and mud may become the breeding ground of mosquitoes or other parasites. In some cases it is essential to the success of such projects to cultivate a sense of responsibility among the local population and encourage them to collaborate in the appropriate manner.

Therefore, some of the important questions of development policy are:

- ☐ How can the participation and interest of the local population be mobilised and increased?
  - ☐ What degree of decentralisation and self-organisation of the people affected is necessary to be able to carry out an effective basic needs strategy?
  - ☐ What implications can a decentralised programme of this kind have for the utilisation of local sources of assistance and the employment of the local labour force?
  - ☐ How can programmes which operate, for example, at community level be integrated into national programmes, and how can they be supported by international assistance measures?
- Above all:
- ☐ How can the technical and scientific capacity of the industrial countries be better used to support such programmes and to create productive jobs with adapted technology?

The Federal Republic's technical assistance measures try to take these factors into account. But such assistance will succeed only if its activities are backed up by an understanding for the cultural, human and social conditions involved.

Material sacrifices alone do not constitute a development policy. There is no point in foregoing income if capital is then misdirected. Socially and economically well thought-out, realistic development planning is one of the most difficult tasks.

#### **Problems, Setbacks and the Need for Revision**

Although many developing countries have made great efforts, there have always been problems, setbacks and the need for revision. Time and again, one of the major difficulties has been to create an organic link between the so-called traditional sector of the economy and modern industrialisation. Very often the prime target of promoting economic development was to establish modern industries on the pattern of the industrialised countries. Too often it was forgotten that such industrial centres remained foreign bodies with a high degree of dependence on foreign supplies, foreign firms, foreign technologies and foreign markets. Likewise, the expectation that major increases in productivity and income could

be achieved with additional resources, was frequently disappointed. Higher levels of income in the industrial countries are often cited as proof of the higher productivity of large-scale industry. However, in terms of the situation at the start, it is in fact possible, precisely in rural areas, to achieve higher increases in productivity with lower capital outlay. Capital-intensive industrialisation will hardly be able to eliminate underemployment and unemployment.

The indiscriminate transfer of a policy of growth and industrialisation which has led to the production and consumption structures of the industrial countries, is by no means the only conceivable road to development. On the contrary, one only has to consider the limited nature of the industrial countries' resources and the threat of environmental destruction and pollution to realise that the patterns of production and consumption in the western industrial countries could hardly be extended to 4, 5 or even 8 billion people. At a time when the industrial countries are becoming increasingly aware of the need to change over to growth which is based on low consumption of raw materials and energy, and is not harmful to the environment, no one should contribute towards a repetition of their mistakes in the developing countries.

However, it must also be asked how much longer the industrial countries intend their consumption to go on growing at the rate it has been in the past, while at the same time telling the developing countries that there are limits to growth.

At any rate, it is right to strengthen the developing countries' own responsibility and to support them in their efforts to achieve social and economic progress, even if they want to go their own way. Development policy must recognise the sovereignty of all countries and their right to self-determination, and it must be based on the needs of the people, as they see them, according to their own cultural values marked by their traditions, social structures and environment.

### **Search for Suitable Technologies**

In order to support the developing countries in their own efforts, the industrial countries should not graft ready-made solutions from outside onto certain problems, but use their ever growing potential of know-how, technology and experts to enable the developing countries to analyse their problems and work out their own solutions.

There is a contradiction between the knowledge theoretically available and the technological potential of man, on the one hand, and the very modest progress that has been made, on the

other, towards solving man's real problems. With all the knowledge and technologies we have at our disposal, it ought to be possible for people all over the world to be better off than they are.

In the search for suitable technologies for developing countries, the decisive criterion must be the needs of the broad masses of the population and the particular circumstances in these countries. Adapted technologies for the developing countries should, if possible, be labour-intensive with low capital input, they should make use of indigenous raw materials and sources of energy, be suited to the climate and enable small quantities of goods, easy to handle, maintain and repair, to be produced at low cost.

Labour-intensive technologies should not be confused with technically outdated or even regressive technologies. On the contrary, labour-intensive technologies frequently require the application of the very latest scientific discoveries and technical skills, for example, efficient solar collectors which lend themselves to simple mass production.

Production in small units and decentralisation in fields such as power are important aspects. In order to illustrate what can be meant by technologies for developing countries, what the necessary transfer of technology can mean, a few practical examples from the development policy of the Government of the Federal Republic of Germany should be selected.

The use of solar energy, which is limited in the climatic conditions of the Federal Republic of Germany, can be worth-while in the developing countries with their much higher insolation, particularly for countries which otherwise have to import energy with precious foreign exchange. The advantage of solar energy is that it can be used decentrally and does not require a distribution network; this is of particular importance to developing countries with a large surface area and little infrastructure. For example, a simple pump is being developed which is driven by solar energy, and which it is hoped will be used to supply water to rural areas in developing countries. In collaboration with developing countries we are preparing a project designed to develop a multi-purpose solar motor.

Technically we are already capable of developing small power stations to produce electricity from solar energy. It is worth going ahead with them for the decentralised supply of power to the rural regions of developing countries with high insolation. The development of such plants requires a high level of scientific and technical know-how such as is available in the Federal Republic of Germany for example. Adaptation to local conditions, on the other hand, can only be carried out satisfactorily in the developing countries them-

selves. Countries such as Egypt and India are ready to cooperate in such schemes and demonstration plants are already in preparation. They will be constructed so that as many of the components as possible can later be mass produced in these countries themselves.

The development of small production units is important for the sort of small markets found in the developing countries. For example, the Federal Republic is promoting the development of small plants for producing a sugar substitute out of the abundant and previously unused agricultural waste in the developing countries since sugar is a scarce food of high nutritive value. Experiments have been positive. It is now planned to set up a pilot plant to test the process at industrial level.

Many technological developments, including many carried out in the Federal Republic of Germany, are of great interest to the developing countries. There is, for instance, the work being done on the desalination of sea water. This is a technology which can be applied on a large scale principally in the developing countries. The selective transfer of technology can be of great importance for the development of these countries.

If it is to be worth-while, development policy must derive from an understanding of the problems of the developing countries. Such understanding must, however, be accompanied by willingness on our part to give the products of the developing countries a fair chance on our markets. Important structural changes and employment problems in our economy are attributable to new production in the countries of the Third World, to a continuing development of the international division of labour. What is required is partnership, and the conduct of partnership requires that we do not close our markets to the products of these countries in a short-sighted protectionist policy.

Development policy is not restricted to the transfer of resources and the readiness to relinquish a part of one's own income. It demands more, particularly the willingness to understand and take seriously the problems of other people and other nations, and show sincere interest and dedication. The relationship must not be determined by the dependence of the recipients of our aid but by the readiness to cooperate as partners in the knowledge that each has to rely on the other. Only in this way can development policy also contribute to peace policy.

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## DEVELOPMENT POLICY

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# Basic Needs, Planning and Policies

by Detlef Schwefel, Munich

**The recommendations of international organizations such as the World Bank, ILO, OECD and FAO and comparable demands by critical social scientists evince a growing awareness that basic human needs should be made the point of departure and orientation for analyses, planning and evaluation. They betoken a decisive turning away from the conventional growth- and employment-oriented economic policies towards a strategy which is determined by basic needs.**

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Rome and Bariloche are worlds apart. The European contribution to the discussion on the probable shape of the future at the Club of Rome still bore the markings of traditional economic approaches whereas the Bariloche Model started out

from the opposite venue: basic human needs were the point of departure and orientation<sup>1</sup>. Implicit value judgments of traditional science were replaced by explicit value judgments: the survival of each and all was reinstated as the relevant criterion of science.

The Bariloche Model thus took its place in a lengthening series of comparable political initiatives on an international level which delve into the inhumanity of the usual approaches in economic science and policy and in opposition to these demand a social policy which does not see itself —

<sup>1</sup> D. Meadows et al., *Die Grenzen des Wachstums. Bericht des Club of Rome zur Lage der Menschheit (The Limits to Growth. Report of the Club of Rome on the Situation of Mankind)*, Hamburg 1973 and A. O. Herrera et al., *Grenzen des Elends. Das Bariloche Modell: So kann die Menschheit überleben (Limits to Poverty. The Bariloche Model: How Mankind Can Survive)*, Frankfurt 1977. A detailed bibliography of the subject dealt with in this article can be found in D. Schwefel, *Grundbedürfnisse und Entwicklungspolitik (Basic Needs and Development Policy)*, Baden-Baden 1978; english issue: *Basic Needs, Planning and Evaluation*, Berlin (German Development Institute) 1979.