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A New Attitude to Development Assistance?

There are, of course, many grounds for development assistance . . . but in my view the fundamental case for development assistance is the moral one. The whole of human history has recognized the principle — at least in the abstract — that the rich and the powerful have a moral obligation to assist the poor and the weak. . . . And are not we who tolerate such poverty, when it is within our power to reduce the number afflicted by it, failing to fulfil the fundamental obligations accepted by civilized men since the beginning of time?"

It was with this avowal of his beliefs, in his famous address to the annual meeting of the World Bank in Nairobi (Kenya) in 1973, that Robert S. McNamara who is now vacating the post of President of the World Bank launched an international intellectual process from which emerged a new definition of the problem of development assistance and the fight against poverty. He established the concept of absolute poverty standing for "a condition of life so degraded by disease, illiteracy, malnutrition and squalor as to deny its victims human necessities . . . a condition of life so common as to be the lot of some 40 per cent of the peoples of the developing countries". And this poverty was to be fought chiefly by raising the productivity of the poorest strata through improved access to means of production and official services. Under his stewardship the World Bank stepped up the grant of loans from US \$ 1 bn in 1968 to US\$ 11.5 bn in 1980. Over 30 % of the World Bank loans are now being channeled to projects intended to benefit the poorest 40 % of the population in the developing countries.

There is some irony of fate in the fact that McNamara is leaving his office at a time when not only the financial foundations but the philosophy of development assistance are increasingly called in question. As the economic prospects of both the industrialized and the oil-importing developing countries have been worsening over the past year, the latter have needed more international aid while the former were, or felt themselves to be, less able to meet their demands. This spelled stagnation for the efforts for an international development dialogue, a fact most conspicuously reflected by the failure to pass a strategy for the Third Development Decade at the Special Session of the United Nations last year and by the present desperate efforts of the President of the UN General Assembly to bring the "global (North-South) negotiations" programmed for the current year to life.

The chairman of the DAC, John P. Lewis, is certainly right in concluding from this experience that "when the surrounding economic and political environment worsens, as it did in 1980, the system (of international development decision-making) is too clumsy and fragile easily to maintain headway in heavy weather". But whether his second conclusion — ". . . if we avoid excessive hand-wringing and get on with what is do-able, there is no reason to extrapolate the collective adversities of 1980 to the whole of the decade" — equally holds good is a moot point.

The scepticism in face of such hopeful statements is not so much due to the intention of the United States – and others, too – to cut down on development assistance and to President Reagan's rejection of McNamara's idea of an "Energy Bank", for however deplorable such tightening of resources may seem to some observers under development aspects, it could and should be treated as a challenge to make more efficient use of the tighter resources. More important are the signs that a fundamental question is being raised in the new US Administration: Can the problems of development really be solved by injecting more and more money alone or is there a need – as in the internal economy – for a new approach to development policy which links the mobilization and reinforcement of private elements in the developing countries with a stronger commitment to development policy by the private sector in the industrialized countries.

This attitude may certainly be seen as a consequence of a political swing to the Right. It can however, likewise be regarded as the outcome of a longer-lasting process. A comment by the US philosopher William Burrett with a view to the growing number of supporters of capitalism among intellectuals in his country – "... it seems worth emphasizing that one's political ideas, however unsatisfactory to some tastes, are nevertheless the outcome of time and reflection and not the momentary prompting of some shift in the intellectual wind..." – may also point to a new attitude to development assistance.

Indicative of such a change may be the perceptions of a man who is certainly above the suspicion that his opinions may veer in response to the political weather – Gunnar Myrdal, the Nobel Prize winner who has hitherto, not without reason, been considered one of the progenitors of modern development assistance. After applying his mind to the development problem for over thirty years he has of late come round to disputing the usefulness of development policy as applied hitherto. Development, he argues, presupposes a greater measure of equality and therefore institutional reforms. The reforms needed – in the agricultural area, in education and health services for instance – to open real chances of development to the populace at large, and this meant the rural population in particular, were however being thwarted by small élites which determined the objectives and use of the development aid. This, together with the corruption which was the root evil, turned development assistance into a bottomless pit and deprived it of any benefit for the mass of the population. In spite of his harsh criticism Myrdal does not advocate a curtailment of development aid but pleads for its undiminished continuation as catastrophe relief with clear directions and strict control of its use. In the longer term development assistance could be restored to those who, instead of constantly clamouring for a new international economic order, put their own houses in order and effect appropriate institutional reforms.

Friedrich von Hayek who shared the Nobel Prize with Myrdal (perhaps because, as suggested at the time, the Nobel Prize committee wished to manifest its neutrality between differing schools of thought) stated in an interview, at about the time when Myrdal gave vent to his change of views, that development assistance was superfluous – all that was needed was to give free rein to the market forces in the countries concerned. In order to strengthen the market forces, however, the large majority of developing countries need institutional reforms to ensure conditions under which market-economy mechanisms can function. The two Nobel-Prize winners may be said to have this "institutional approach" – though probably nothing else – in common.

If "ideas, however unsatisfactory to some (read: to some or many developing countries') tastes, are ... the outcome of time and reflection", this basic community of views may, together with the described political developments, at last widen the scope of the international discussion on development policy by a national dimension – that of policies relating to the economic order. To confine development assistance to charitable aid in emergencies or to suspend it altogether would surely not only fall short of McNamara's moral obligation but be unrealistic in the conditions existing today. To link it more tightly to the enforcement of internal reforms, on the other hand, is a requisite of efficiency. Even if this is done it remains to be seen, however, whether Lewis' hope, that "collective adversities" will be avoidable in the coming years, will be fulfilled.

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