ANALYSIS AND INFORMATION

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Michael Dauderstädt

New Names for Old Games

The Anatomy of Aid

Preface

There is a new catchword in development aid, the sphere of international relations that seems more susceptible than any other to styles and slogans.
The new name of the game is "policy dialogue".
Latest fashion that it is, "policy dialogue" succeeds slogans standing for earlier approaches whose high promise was disappointed.
As fashions in conceptualizing aid operations come and go, what has really changed in development policy? And is it policy for development — or part of several other policies?
Don't the first interests of many who are involved in the development scene lie in quite other areas? In foreign affairs? In economic aspirations or business? And in the human impulses (1) to avoid rocking the boat, (2) to give your own organization a boost, and (3) to do something about getting on in the world? Haven't these public and personal motivations become so institutionalized that the new catchword, "policy dialogue", hardly means more than a new name for the old game?
Aren't we actually dealing here, not with development policy so much as: policy without development? With, as far as an evolution of our aid operation goes, no significant effect on development at all? And hardly any prospects, accordingly, of getting on with the actual development of the Third World — meaning too, no rescue of the poorest countries, the poorest multitudes?
All these questions, and more, about the development situation were gone into recently at a conference of specialists, governmental ministers, politicians and representatives of political foundations and economic institutes. On the invitation of the Friedrich Ebert Foundation, the particularly qualified individuals who are named at the back of this brochure held an intensive discussion on February 8, 1984.
This brochure gleans many of the conferees' thoughts, and draws on the vast collective experience that the conference represented. The grateful author gladly emphasized that on the pages to follow any deviations from the ideas developed by the round table are his own.

Michael Dauderstädt

Contents

A. The New Names: The Latest Round of the Great Development Debate

It has been going on for a long time now and all over the world: the development-policy debate. Scientists and other specialists from aid-giving and receiving countries, along with representatives of international organizations, are the participants in the discussion. From this or that source comes, ever and again, a new approach. Academically qualified persons — sociologists, economists, scholars of other disciplines — criticize current theories of aid and propose new ones. Largely, the debate is nourished by dissatisfaction with the practical results of development policy — which is accused (usually unjustly) of having followed this or that false theory, taken this or that wrong course.
The newest fruits of this discussion are not unlike earlier harvests: Individual donors and international organizations are heralding a new epoch of developmental co-operation. Old theories and policies are being criticized. For the new ones, evidence of justification (theoretical and statistical-empirical) is being assembled.

Out of date now are two formerly very much "in" concepts: first, the Basic Needs Strategy and, second, the New International Economic Order. Stylish now are (1) emphasis on the Third World's putting its own house in order, (2) the role of free enterprise and the market mechanism and (3) the "policy dialogue". The circumstances surrounding each of these concepts provide a story in itself. As background to the telling, it is well first to sit in for a few minutes on the past years' great development debate.

1. The "New International Economic Order" Comes to Grief...

For many developing countries, underdevelopment was primarily the result of a world economic order ruled by the industrialized countries. This system brought in its train sinking terms of trade; it restricted access to capital; perpetuated production patterns; perserved a nation's or a group of countries' technological leads; and allowed little opportunity for smaller countries, especially, to decide their own economic destiny. Changes in this situation first seemed possible in the aftermath of the oil-price explosion. In 1973/74 the Organization of Petroleum-Exporting Countries (OPEC) had shown that a group of (primarily) developing lands could successfully establish and employ their combined economic power. The North, for the time being minus a leader in the temporarily down United States of America, indicated, foot-draggingly, its readiness to talk terms of (as diplomats say, to negotiate) new economic arrangements. A start on this process was made in international organizations: especially the United Nations Conference on Trade and Development (UNCTAD), and also the Conference on International Economic Co-operation (CIEC).

The forward march of the Third World soon, however, came to a halt. The charter on the economic rights and duties of states was passed — but against the opposition of most of the industrialized countries. And UN resolutions generated in the General Assembly are notoriously UN-committing. True, the Integrated Programme for Commodities gave rise to the (pro-Third World) Common Fund (designed to provide a buffer stock to use in stabilizing raw-materials prices). But most agreements on individual commodities — and these, talking dollars and cents, marks and pfennigs, were planned to put teeth into the general programme — are still to be reached.

Nor was the South in a position to strike a better bargain with the North. For one thing, the Third World isn't a bloc; it knows plenty of dissention within its own ranks. Then, too, those developing countries that have to import petroleum — which means most of them — have been hard-hit by the soaring oil prices, and also by the decreasing revenues from the export of their raw materials - a slump stemming from the general global recession. The world economic recession, with its trend toward increased protectionism, has also resulted in hard times for developing-country exporters of manufactured products. Meanwhile the North has been having domestic differences of its own. The European Economic Community (EC) had thought by granting preferential treatment to now some 60 African, Caribbean and Pacific-area countries via the Lomé Treaty to set another milestone in the North-South dialogue. But on the other side of the Atlantic, misgivings were emerging in Washington (as in some EC capitals) about infringes on the liberal-trade concept. The last great effort to date in the North-South dialogue was undertaken, appropriately, by the North-South Commission, officially called The Independent Commission for International Development Issues. The initiative was launched by the World Bank's Robert S. McNamara and captained by Willy Brandt. In a report, the North-South Commission endorsed the South's call for a New International Economic Order — and tried to represent the desired new structure as being in the "common interest" of North and South. But this interpretation wasn't shared by heads of government and chiefs of state of the Northern countries. Far from it. At the Summit in Cancun, matters went only as far as diplomatic statements of intentions — which during the following years and conferences (for example, UNCTAD VI) were not followed up.

Quite to the contrary. The North reacted with pure economic power: During two recessions the OPEC cartel was virtually smashed, its share of the oil market sharply reduced. After the oil-importers, now it was the exporting countries, too, that had to run up debts.
So a glance at the economic situation is enough to make it crystal-clear who was really dependent on whom:

● The industrialized countries, with their diversified economies and pluralistic societies, emerged as the more flexible, and equipped with by far the more options.

● By contrast, most of the developing countries — with their lopsided economic structures and politico-social systems that as a rule were under dammed-up pressure from an oppressed Opposition — could make only a poor showing.

2. "... Just as That Scheme Deserved to Do ..."

The developing countries' call for a New International Economic Order ran into criticism from the very beginning, from various camps: from the free-enterprisers; from the human-rightists; from the grass-roots experts; and from the uncouplers. In 1975 U.S. Senator Patrick Moynihan launched the counter-offensive. He wanted to know: What right had the Governments of developing countries and the Third World's elite to criticize the North — especially the United States of America? Soon after that the Carter Administration developed its human-rights policy, which necessarily turned a spotlight on domestic conflicts in developing countries. In 1976 the International Labour Organization (ILO) and the World Bank inaugurated the development tactic of attempting to satisfy basic needs. This basic-needs approach was considered in the Third World to be another diversionary strategem; while the industrialized countries (at least, their "development communities") took quite another view: They considered the basic-needs concept a reform, with its goal on poverty — which was increasing in spite of economic growth — in the Third World. Furthermore, even if the New International Economic Order were to work, Galtung maintained, it anyhow would benefit only the developing countries' wealthy. Thus one body of international opinion was putting its finger on the sore spot — the developing countries' political and social inequalities — while meanwhile, more on the ideological front, the conservative resistance to the New International Economic Order was closing ranks. After the market had so successfully advanced the interests of the stronger industrialized countries, now the task was to keep anyone from hurling a spanner into the machinery that had been running smoothly for the North. This free-market approach had been far less widespread at the peak of the oil crisis, when the industrialized countries were being forced by the then supply-and-demand situation to pick up the cheque. At that time such conservatives as Tucker were still proposing: Let's have the military seize the oilfields.

But now the free-enterprisers also began to figure out for the developing countries how more market would pay off for them. The North's criticism of the supra-national bureaucracies of the UN system need not be considered part of this North-to-South sales campaign on the benefits of free-marketing: the complaint about the world organization was, rather, a reflection of touchiness about having to pay most of the bill for an agency in which Third World members far outvote Northern benefactors. But one's ears do prick up on hearing that most of the programmes to help the South have actually only helped a little — or, better, have only helped a few. For example: One such programme is for the industrialized countries to open their markets; but opening the market favours only the countries that can make a competitive offer on it. The other countries don't even fill their export quotas. Thus the fact that the signatories of the Lomé Treaty between the European North and partners to the South can import duty-free is no headache for any European industry — but, by contrast, the North's agriculture, where it is threatened by imports from the South, remains well-protected. Programmes to support and stabilize raw-materials prices seem to make sense. Why not have them? Well, one of the problems is that a plan to improve or steady a developing country's revenues from a crop, a mineral or another resource tends to perpetuate the country's dependence on that single export. And doubtless what a typical one-raw-material economy should be doing, instead, is to diversify its production, and begin to semi-process and perhaps process (for higher earnings on the world market) its raw material.

That is an example of how a well-meant project — stabilizing raw-materials prices — of development co-operation can even boomerang unless the developing country is able purposefully to integrate the programme within its over-all economic policy. The same is true for aid. Development projects which are not embodied in a national development concept leave behind the rubble of projects that crashed; an overvalued currency; and deranged domestic capital market (to the extent that the country has such a market). In fact, many industrialized countries have developed — without much assistance from outside, and without benefit of a global economic order re-tailored to fit their national situation. The differentiation among the developing countries — which puts in question the notion of "a" Third World — proves that success does not depend on a specific global economic environment. The progress of some developing countries is also independent of the amount of development aid they have received. Or you could even put it this way: *The strong (meaning here capable of adjustment and well-governed) developing countries do not need all this to-do, for they are developing on their own and anyway; while the weak (those with encrusted socio-economic structures, and governed badly, or ungovernable) won't be helped by any measure of development aid whatsoever.* This phenomenon is illustrated by the matter of the availability or non-availability of capital: Productive and briskly exporting economies have ready access to the international capital markets, and usually their own domestic market functions well. The weaker countries, by contrast, are dependent on public support, without, however, managing with its help to achieve strong growth. So relief cannot come from new economic systems that do nothing about the old chaos. Nor will lasting amelioration come from more transfers of aid money and effort into a bottomless barrel. Instead, the weak countries of the Third World need to develop more economic muscle. One can only cope with the problem of the bottomless barrel by building a (home-made) bottom for the barrel.

3. The Third World Putting its House in Order

So one seems to have agreed on scepticism when it comes to development co-operation, and to a demand that developing countries adopt better policies. "One"? Here "one" ranges through a whole field of aid analysts — from old critics like P.T. Bauer to critical old gentlemen like Gunnar Myrdal. The Swedish statesman-economist has urged replacing development co-operation with some kind of outright help for the poor. When even some representatives of developing countries agree — maintaining that aid has strong drawbacks — the excitement soars. Such was the case with a study by the Birla Institute of India. It criticized many side-effects of development co-operation: erroneous allocation, damage to initiative, and so on. (True, it so happens that in the end the Institute did not recommend abolishing development aid itself.)

These critics of the previously held aid concepts include the theorists of "peripheral capitalism", who also increasingly recognize the importance of the inner structures of the developing countries for their development. Uncoupling implies for Senghaas, as an imperative of development policy, an "inner restructuring" which envisages a reorganization not only of the economy but also of political life and society. Elsenhans, too, considers tendencies of the Third World's "state classes" — that is, ruling or otherwise influential circles — "to grant themselves privileges" to be the major hindrance to growth and development.

The on-location practice of development co-operation, at the project level, also becomes questionable when in the project's environment (or even in the project itself) social and cultural structures or counter acting sector policies and macro-policies counter the original aims of the project. Situations like these also give rise to doubts: A country's poorest are supposed, let us say, to be supported in the cultivation of unyielding soils, while next-door is good earth owned by the rich and lying fallow.

Or advisory services and inexpensive loans reach only the better-off (and more open-minded) medium-sized farming entrepreneurs, not the small-scale farmers. Doubts readily arise, too, if a project never becomes indepedent of foreign development aid because the developing country's Government either never will be able to take it over, or doesn't want to. Doubts are felt, moreover, if a developing country is visited by a structural crisis — one against which even a whole congeries of individual projects appear ridiculous.

So, in view of the crisis that the oil-price explosion touched off in oil-importing developing countries, the World Bank has developed a new instrument: the structural-adjustment loan. Via this form of credit, the Bank aims to promote and finance the involved country's medium- to long-term adjustment to the changed international economic conditions. So doing, the World Bank builds a bridge to the short-term consolidation programmes of the International Monetary Fund (IMF). In both cases — the structural adjustment loans, the IMF credit — the transfer to a developing country of resources from abroad plays only a secondary role. What really counts is the domestic adjustment programme for which the country concerned is receiving outside financial and technical support.

As multitudinous as is the choir that demands intensified and better efforts by the Third World on its own, so varied are the solo voices that sing out what form this developing-country initiative ought to take. The most extensive demands are for an all-embracing alteration of the social structure, and the distribution of wealth and power. Far-reaching as well are the concepts of reforming the basic structures of the economy, in particular a change from state planning towards free enterprise. Extensive, too, are the calls for changing this and that policy: exchange-rate policy, prices, interest, wages, taxes, fiscal policy. Meanwhile, foreign developers would often be content enough if only the operating and follow-up costs of their projects could be covered.

You will observe that already at this stage the seeds of controversy are being sown in the search for a consensus about more do-it-yourself in the Third World. What one commentator regards as part of the solution, another sees as still part of the problem. Still, there is one school of thought that seems to have been holding its own particularly well in the most recent development-policy debate. This is the school that demands a different economic order, namely: "More market, less state" in developing countries. These Northern advocates of more free enterprise in the South were well able to pour their old wine into new wineskins: Their precedent for doing this can be read in the governmental (Federal Republic of Germany) drafts of guidelines for capital assistance of 1961. They state: "Support should be granted to those developing countries that acknowledge a determination to make efforts of their own toward development ... (through) measures to achieve monetary and fiscal

stability; measures to increase exports in ways corresponding to the international division of labour; measures to increase savings activities; measures to establish a leadership level in public administration and the private economy..."

4. The Renaissance of the Free Enterprise Ideology

In view of the renaissance of faith in the market and criticism of the state evidenced in many quarters, particularly in the Anglo-American industrialized countries, it isn't astonishing that in development policy, too, the same trend is regaining ground. After all, this devotion to the free play of the market has always, as we recalled above, been a factor in the debate. The IMF is a prime example of this precedent. The Fund has distinguished itself by imputing primarily a political failure if a country got into balance-of-payments difficulties. The Fund has often urged countries to orient prices and the exchange rate in such a way that, for instance, production for export, or for import substitution, would make economic sense as an alternative to production for domestic consumption, or to importing.

The World Bank has often criticized the low, administratively set, prices for farm products, a practice that has made important projects in, especially, the agricultural sector, non-viable, even though the country concerned was obviously in need of more home-produced food; a shortage that in turn necessitated a continuingly high rate of importation. Be that as it may, even the successful exercising of influence on agricultural prices (usually toward an increase) might not, as investigations have shown, even provide the desired spur to production. For in order to raise productivity you also need numerous flanking measures.

Moreover, agricultural prices represent key elements which determine a developing country's over-all model of accumulation. For these figures define in real prices the exchange relationship between industrial and agricultural commodities, the urban population's standard of living, the real wages of industrial workers, and thus the profitability of industrial enterprise. For that reason, it is possible that a developing country will see overly high agricultural prices as endangering the Government's priority political purposes, or even its industrialization efforts. In such a circumstance, a Government would be right to resist increased farm-goods prices, in favour of other and higher priorities.

So much here for the long-standing efforts to achieve more efficiency of allocation. Meanwhile, the ideological offensive has entered new territory.

The World Bank, in a study of development in black Africa and its 1983 World Development Report, puts increasing emphasis on reform of public economic policy. The Bank reasons that particularly in view of shrinking funds for investment as a result of economic hard times, the recipe for growth demands, more than ever, better management of development. All right; and in what ways? The recommendations of the World Bank range from the role of the state through price policy, public administration, and state-owned enterprises to the civil service. Running like a red thread through this analysis is a demand for better checks on the functioning of the public sector; more competition; and increased reliance on the market, including private enterprise. Despite all these recommendations, the World Bank, as is probably to be expected of an international organization, is notable here for a rather reserved position on the choice of economic system. Not that the Bank doesn't in general put more trust in the market than in the state. But neither does the Bank deny the limits to free market solutions (external effects, national monopolies, publicly owned assets, and so on). The Bank (and rightly?) merely suggests that developing countries pay greater attention to the possibility of policy failures.

By contrast with the World Bank's restraint, the controversy over the right economic system for the Third World is proceeding more openly in the Federal Republic of Germany's public discussion. (Can this stem partly from a sort of German tradition of liking to think conceptually — that is, in this case, in terms of ideologies?) Let's linger with the scene in the Federal Republic of Germany for a moment, and then return to international views in the ideological debate: In this country, the Industrial-Research Institute (IFO) on assignment by the Ministry of Economics compares free enterprise and Socialism. Thanks to the conservative Bonn Government's handy profile of "the enemy", the comparison comes to black-and-white results: In every respect the market is the Good Guy. If you look closer, this "finding" seems peculiar, for several reasons:

● The selection of countries for the comparison is not convincing. (The IFO authors distinguished between "pronouncedly market-oriented" countries and the "non market-oriented economies". Startingly, the formers' proportion of state production is higher on the average, than the state's share of production in the non-market-oriented economies.

● The causal connection is not unequivocal. (The selected market-oriented countries simply are the wealthier ones; so that you'd expect better social and economic performances from this group, an achievement attributable simply to the affluence, instead of primarily to the — anyhow conjectural — effects of a difference in economic systems.)

It is true that the Bonn Government-sponsored authors of the free-market-is-the-Good Guy survey point out that behind it are more complex social problems and economic structures, so that the idea of moving via transformation strategies to more efficient social and economic systems still poses numerous unresolved questions. But such considerations don't deter the planners of new styles in development policy. Proposals for a "transfer of social technology" in the direction of free enterprise are being eagerly fermented. This new-old vintage may even stimulate

visions of miracles ahead in development policy. By contrast, Senghaas takes an ideologically differentiated and flexible position as he concedes that developing countries can cope with the pressure toward "peripherization" (domiantion by a "centre" located in the technologically advanced North) by means of either a free-enterprise system or a state economy (state socialism/state capitalism). Only in later phases of development, he continues, do centralistic planning approaches show clear disadvantages in regard to efficiency.

Now to return to the trans-Atlantic and then the world fronts in the ideological conflict. Among the political Right, American conservatives in particular do not even stay put with these ideological "findings", which in themselves are at least inconclusive. These conservatives of the North go on to question the role of the state as such; consequently also a state's role as donor as well as a recipient. While, for instance, the World Bank makes no bones about esteeming the efficiency of Korean development planning — although it is carried out by a super-ministry with massive interventions in the market — not so the conservative rhetoric. That camp is putting all its bets on private sponsors and private partners, on firms (if possible, small and medium-sized ones) and self-help. Characteristically, here, too, words are not followed by deeds.

In all this debate about private sector versus the state, something very basic is being overlooked: how little the idea of strengthening private initiative has to do with the market and with freedom from state intervention. For the truth — if not in theory, in life — is that the patterns, in the industrialized North as in the developing South, look more like this:

— *Market through state*: Functioning competition, price mechanism, the balancing of supply and demand via free decisions of the participants in the market — all this requires a clear legal base, one that a strong state must guarantee, usually providing rigid supervision. The actually existing markets — especially the stock exchange and auctions — that most closely resemble the ideal market are at the same time the most regulated markets, by way of rules that prevent obvious abuses (for example, "insider trading").

— *Private sector not overly fond of the market*: The fact is that the market is often not the private economic sector's preferred place of doing business. Instead, the free market is, to the private business world, only a sub-optimal place to deal. For participants in the market, the competition tends to reduce profits. Again, competition, by forcing a market participant to make ongoing improvements of his product or service, can further diminish earnings. Where good income opportunities are found, instead, is in market niches; in segments of the economy that are — at least temporarily — protected by this or that barrier to easy entry. In other words, the highest profits are where there is the least competition, or, for that matter, where there is freedom from the free market entirely.

— *The private sector milking the state*: For this reason, firms and other participants in the market in the North, and even more so in the developing South, seek to acquire income from state-created sources of revenue, in preference to earning it through efficiency in the market. Moreover, some groups employ state or other forms of non-economic power (not excluding naked force) to produce "market distortions" that promise to lead to income. One device, for instance, is to fix producer prices that ruin producers and result in exorbitant profits for traders (the well-known "offer that you cannot afford to refuse"). When such practices are possible, the economic rationale of the maximization of income enjoins the use of them.

So what we are still concerned with ist Myrdal's ascertainment of the "soft states" within the developing countries, states whose administrations are not able to frame conditions that spur and force the private sector to efficiency, investment, and growth — instead of abetting the private sector's tendency to turn to easier ways of making profits, even to becoming what Krueger calls a "rent-seeking society". *The imperative of a better economic system starts out as an imperative to efficient action by the state.* This truth is demonstrated by such successful developing countries as Korea and Taiwan. There, at first the Government carried out massive social reforms, including land reform, before (with the state remaining strong) those decisions that private enterprise is best suited to take were handed over to the market.

5. Policy Dialogue: A Dubious Means Toward an Unascertained End

Whatever this person or that regard as the right approach to the Third World's own domestic development effort; whatever his view of the proper interrelationship of market, state, and private sector — that is, however unascertained the end — the new style in development activity, the policy dialogue, is busily concerning itself with the means. The policy dialogue takes place between representatives of donor and receiver countries. In the course of the dialogue, the two sides put forth their ideas on how the developing country can best be — well, "developed". The dialogue partners discuss policies and prospective projets.

Models for the dialogue are readily at hand: Every governmental negotiation of development co-operation contains elements of it. One of the more likely models is the series of discussions the IMF has with members — especially, of course, the countries that apply for the loans in the upper credit branches, linked as they are with stiffer conditions. Despite similiarities, there are also important differences between the policy dialogue and the (IMF) conditionality. Nor does anything say that the International Monetary Fund, which is best-known for its conditionality, cannot enter into a straight-out policy dialogue. So it is, for example, when IMF representatives and spokesmen of the Federal Republic of Germany get together. In this dialogue, the IMF officials may go so far as to take exception to some of Bonn's policies. But the criticism is friendly advice, not admonition. It is quite otherwise if the country having a dialogue with the International Monetary Fund has used up its international credit, and has to come to the IMF hat in hand. The IMF only grants loans if the needy suitor first commits itself to a national stabilization programme that looks good to the Fund; an plan, normally, for reducing the deficit in the balance of payments to what the IMF considers financeable dimensions. The debtor-country is supposed to come up with the programme, usually elaborated in cooperaton with the IMF.

The situation boils down to this: Indeed the developing country has an alternative, of sorts, to doing things the IMF's way. The alternative is to not get the loan. But usually turning down the IMF assistance would mean still more austerity for the indebted country: cutting down imports, economizing on much else as well, so as to carry out the necessary adjustment without the help of the Fund's credit. Usually it seems wiser to take the loan and go along with the Monetary Fund's conditions.

The IMF medicine — a rescue, a loan — tastes good, but has a bitter aftertaste. The prescribed measures aim at nothing less than the restoration of the debtor-country's credit standing. This means first and foremost a redressing of the balance of payments. People inside and outside the creditor-country could debate forever and a day about how to distribute the burdens of adjustment within the debtor country. But because the IMF foresees a short time limit within which the debtor is expected to straighten up and fly fiscally right, the actual leeway for economic options is limited. The short IMF-set time limit makes it possible to keep an effective check on the programme's implementation, both in regard to the end (improving the balance of payments) and also concerning the means to it (exchange-rate policy, fiscal policy, measures against inflation). If the country in question doesn't meet its obligations, there can be a quick stop to further credit.

Other than the IMF's short-term loan approach is the medium-to-long-range adjustment programmes adopted by the World Bank after the oil shock. This newer loan facility is also co-ordinated between creditor (the World Bank) and borrower. Here, too, the aim remains clear: improvement of a country's balance of payments by making the country less dependent on imports of oil; that is, by spurring more domestic production of energy, along with energy-saving by cutting down on consumption. Despite strict creditor-debtor understandings, the World Bank's financing offers far more options than the shorter-term IMF loan arrangements can.

For some time the European Economic Community (EC) has been pursuing a policy of food security programmes. EC delegations discuss with four (ACP)-countries at a time measures to gain for the ACP countries a higher degree of food self-sufficiency. Here too the end — more food production at home — is clear, the means to reach it much less so. Boost the prices for farm products? That "solution" is controversial, as we have seen. Anyhow, neither that condition (higher prices for farm goods) nor any other is actually laid down by either the World Bank or the EC. This is so even though, naturally, primarily programmes acceptable to the potential creditor get financial support. If a developing country doesn't come up with an acceptable plan, that still need not mean: no World Bank or EC credit. What about the Bank's discussion of "strategic non-lending" — a credit stop to be imposed on certain countries)? Yes, but this instrument has more to do with foreign policy than with development policy.

What is the general approach to conditionality by single countries, making bilateral agreements? These individual donors of course have preferred projects, preferred regions and countries on their development-aid lists. Yet only rarely have individual nations tied their aid to conditions. Nor could they have done so, very well, in view of the relatively small influence most donor countries are apt to have. Not that a donor-nation cannot stop a project; a country indeed can. Perhaps a certain project has proved useless, because the host Government, finding it contrary to national aims, won't "buy" it. Be that as it may, developing countries usually find ways to pay — and with aid funds — for projects the aider doesn't approve of. The host country simply rechannels funds that originally had been earmarked for specific projects. Couldn't donor countries better control the aid situation — exert pressure and influence by threatening withdrawal of support, for example — if they were to co-ordinate their development co-operation among themselves? Doubtlessly yes. For this reason the Organization for Economic Co-operation and Development (OECD) is calling for a strengthening of donor-country coordination. (Right now, about the only formal co-ordination is among World Bank-led groups of some 20 countries at a time.)

So we can conclude that past experience indicates severe limits on the effectiveness of the policy dialogue. The instrument is the less practicable and purposeful the less well defined the development goals are, the more long-term the planning, the smaller the role of the donor in the recipient country's over-all foreign financing, and the less this financing from abroad is co-ordinated among the donors. The more these conditions apply, the less a donor country is likely to really control use of its aid.

A final consideration: The causal relationship in most of the politically important problem cases is extraordinarily controversial and many-aspected. Consider, for example, the debate in the Federal Republic of Germany about going down to the 35-hour work week and about coping

with unemployment. Even though here we are dealing with two simply quantitative values, it is entirely open how a shortening of the weekly working time would effect employment over the medium and long term. An intervention from somewhere outside would make this conflict the more problematic the more complex the politico-economic problem is. Applying this, as a parallel, to development policy, we can say: *The policy dialogue will surely turn out to be an unsuitable instrument for fostering general development.* After all, if even the experiences of the International Monetary Fund and the World Bank cannot provide an unbroken chain of successes, it is certainly not to be anticipated that more success awaits bilateral aid-donors — trying as they are to spoon up soup with a fork.

B. The Old Game

So you have been assuming, trusting in the words, that "development policy" means: a policy for development? It is true that the earnest debate on development policy does imply this meaning, and as a rule does indeed concern itself with the functionality of policies toward development. But look more closely at the history, the practice, and the pattern of interests of what is referred to as development policy. Then you will agree that the reality is considerably more complex. The situation can be stated, perhaps, as a maxim: It is not primarily and purely development that development policy is aiming at. *The value of this development goal is more in its vagueness and possibilities of being applied in many ways than in the actual importance attached to development.*

1. The Donor Side in the Aid Scenario: Looking a Gift Horse in the Mouth

The mainstream origin of development policy is to be found in the efforts by the United States after the Second World War, with Washington's sights on a coming East-West conflict, to reinforce economically and militarily weak "front states" against the "Communist menace". This approach included both military (mutual security program) and economic (Marshall Plan, European Recovery Program) assistance; and the measures were thought of as temporary. Even when the instrument was applied to underdeveloped countries in the sense of today's development co-operation, Washington spoke of "foreign aid", not of "development".

Naturally a host of other interests soon attached themselves to this primarily short-term foreign-policy, anti-Communist concern. Among them were agriculture (selling the U.S. Government food to be passed on as aid to needy countries), transportation enterprises, the "expert communities" — and also humanitarian groups, such as the churches. This coalition (abetted by the contributing factors of the East-West situation and the structural persistence of underdevelopment) has continued to support the constant expansion of the development-aid policy and programme.

In Europe, to be sure, the genesis of development policy lay more in the desire to continue to carry out certain tasks in developing countries after decolonization. Often the issue concerned the stability of regimes to ex-colonial Powers had bequeathed the formal political sovereignty. This policy frequently found support from the same interests as had formerly supported the industrialized nations' colonial policy — even if in some cases these interests had vigorously contested decolonization.

As for somewhat of a special case, the Federal Republic of Germany, here there was no reason at first to practise development policy. The Germans had no colonies any longer; besides, after 1947 the nascent West German republic was counted among the front states who received support. As an ally of Washington and of the European ex-colonial capitals, Bonn could not, however, very long avoid a share of the development operation. The U.S. pressed for West German participation. And upon the founding of the then European Economic Community (EEC) in 1957, the Federal Republic of Germany was co-obliged to "develop" the — at the time, mostly not yet independent — associated overseas countries and territories (Article 131, EEC Treaty). Only a year earlier, Bonn's Foreign Office for the first time had budgeted funds for development aid.

In Germany, too, this stimulation from beyond the West German borders to engage in development activities was not long in enlisting domestic allies, who used this new instrument of policy to pursue specific German aims. The first such German agency to get on the aid bandwagon was none other than the Foreign Office itself. Charged as it was with administering development co-operation in any event, the *Auswärtiges Amt* used the new sphere of policy-making activity to further relations with the young Governments of the Third World. At the same time, aid was put at the service of a foreign-policy concept: the Hallstein Doctrine, which asserted that the Federal Republic of Germany was the sole authorized representative of all-German (that is, both Federal Republic of Germany and German Democratic Republic) interests internationally. Attempts to enforce acceptance of the Hallstein Doctrine soon were joined by the pursuit of the economic interests of private enterprises that wanted to carry out investment projects in developing countries; or hoped to finance their exports by means of development co-operation. How influential were these interests in Bonn's aid scenario? The answer varied, depending on changing political considerations. At the end of the 1960s (meanwhile the Ministry for Economic Co-operation (BMZ), the "Aid Ministry", had been established in Bonn) there was a dwindling of Bonn's previously keen foreign-policy concern with sole representation of the two German states (Hallstein Doctrine). Instead, the private economy's interest in exporting became paramount, briefly at least, during the 1966/67 recession. Then in the 1970s and right thereafter private economic interests again became quite significant — especially in the most recent period, during the recession of the early 1980s. At that time the "Aid Ministry" began practising (as it still practises) de facto "tying" of aid to agreement whenever possible to buy from German suppliers. The Ministry also began mixing aid funds and export credits.

This concern with advancing private business interests did not exclude the pursuit, on occasion, of foreign-policy priorities — for example, when Angola and Mozambique did not wish to sign an aid agreement that included the "Berlin Clause" (enjoining on a recipient of aid the recognition of West Berlin as being de facto part of the Federal Republic of Germany); or when Bonn had strong reservations about certain regimes: for instance, Uganda under a dictator; Chile after the overthrowal of the democratic Allende Government. Finally, foreign-policy and economic goals strongly influenced the distribution of development co-operation according to regions and sectors. For example, the Mediterranean region received particularly plentiful support, especially during crises (Turkey; Egypt; Israel; Tunisia; Portugal).

As to the preferred areas of Bonn's aid operations, the lion's share of bilateral development co-operation has gone for projects of the infrastructure (communication, transportation facilities). By now one-third of the Federal Republic of Germany's development co-operation is via multilateral organizations (the EC, United Nations subsidiaries, IMF, World Bank, the regional development banks, and so on). This portion of the aid thus is withdrawn from the immediate pressure of Bonn's or the private economy's interests. (Nonetheless, the German economy has continued to benefit from a disproportionately large share of orders from aid-receiving countries). Although we have said "withdrawn" from Bonn's foreign-policy interests, from that perspective most of the international organizations (except for the UN itself) can be classified as markedly pro-Western — the more so since the industrialized countries, as donors, determine policy in the development banks and within the International Monetary Fund.

2. The Controversial Emancipation of the Development Goal

Although "development co-operation" at first hadn't much to do with development, the goal of development quite early infiltrated the official public legitimation of spending for aid. This is true, for example, of the United States, where humanitarian motives were enlisted to make transfers to foreign treasuries more acceptable to the taxpayers.

In the Federal Republic of Germany, humanitarian motivation played a still larger role than in America, because in postwar Germany for a long period there was little time or energy for foreign-policy or international economic concerns.

During that era, the Social Democratic Party of Germany (SPD) in particular repeatedly called on Bonn, from the SPD's position as Opposition party at that time, to make specific development-policy commitments. The Social Democrats criticized what they alleged was the sug-

gestion of West Germany's being in bondage to the U.S.; and also to the "colonialist attitude" that the party said still pervaded development work. Again, the SPD voiced objection to the foreign-policy and private-business interests that it saw beginning to dominate aid activities. In addition, the Social Democrats of that early day called for the establishment of what has since become the Ministry for Development Co-operation, with its specific province aid relationships with developing countries.
And what, actually, was to be understood by the word and the concept "development"?
In the 1950s and the early 1960s, the term connoted for many people simply: doing away with mass poverty. How? The notion then was that this would be a simple repetition of the history of the now-industrialized countries. Development policy-makers actually anticipated that within a few decades the developing countries would have caught up with the industrialized nations. This development model fitted in smoothly with the industrialized world's foreign-policy and economic interests. It may seem naive now, but it was seriously supposed that affluence and growth in the Third World would stabilize the Governments of the developing countries with whom the industrialized countries were having friendly relations.
Another major assumption of those earlier years was that these hoped-for friendly relations between the North and accommodating Governments of the South would guarantee North-South peace.

Still a third expectation was that aid relationships would prove economically useful to the industrialized countries. Frequently reference was made to the beneficent world commerce that had developed during the 1950s and 1960s among the industrialized countries; just so, too, one could look forward to gigantic trade and export opportunities from an industrialization of the Third World.

The harmonious, development-linked vision of peace between rich and poor domestically within developing countries and on the international scene, and the notion of shared North-South economic interests, was unrealistic from the start. It was often based on belief that specific historic circumstances would be extended indefinitely into the future; could be extrapolated. Although some development policy-makers have long pointed to enormous social upheavals that growth and development would necessarily bring in their train, even they considerably underestimated the potential for unrest. Indeed, growth and more equality can (and often do) bring an increased ability to face up to potential conflicts, and to get into the actual conflicts as well. This phenomenon numerous sociologists have demonstrated theoretically and documented empirically. As groups or countries become more closely assimilated with each other in their economic strength, they are more likely to trust themselves to confront a formerly superior partner/opponent. What applies to peace and war in general also is valid for economic conflicts. The oil-exporters' OPEC cartel and cheap imports from newly industrialized countries (NICs) are only two examples of areas in which developing countries have been able to impinge on sensitive interests of the North. The further the developing countries themselves, the more broad is going to be their choice of options — to which the North can only react with painful processes of adjustment. These accommodations may well resemble in rigor the adjustments the South had to make when its economies and societies needed to accommodate themselves to a world economic system that was ruled by the North. Increasingly, critics also point out, an imitation in the Third World of the development model of the industrialized countries, with a proportionate per-capita consumption of natural resources (raw materials as well as environmental assets), will necessarily lead to serious conflicts over the distribution of the limited supplies of these commodities.

To discuss possible negative inter-actions between development and peace, or between development and economic self-interest, could be in the interest of neither the humanitarianly oriented policy-makers of development nor those who wish to use the instrument of development co-operation to advance foreign-policy and economic purposes. It is a different matter with specific individual policies and measures, pursued and carried out for foreign-policy or economic reasons. If such single policies or operations are considered to be contra-productive to development goals, or if, the other way around, specific development policies or measures appear injurious to foreign-policy or economic aims, then altercations take place within and among the respective governmental agencies, other institutions and groups in the community.

For reasons stemming from history rather than altruism or any particular national characteristics, in the Federal Republic of Germany development policy has enjoyed considerable freedom from external economic or foreign-policy considerations. The relative independence has often helped the development community to weather conflicts successfully, and to procure for themselves considerable freedom of operations. This welcome situation doubtless stems from the following elements of the West German situation:

— *The unrenunciability of the development goal:* As all groups, parties and interests have always made extensive use of the development goal as justification for development co-operation — whatever other goals these quarters may have pursued — they must continue to see to it that crass violatons of this goal at least don't come to the light of day.

— *The permissiveness engendered by burgeoning, non-selective public budgets:* West German development policy took root as a public responsibility at a time of general economic well-being and growth —

and, especially, of mounting public spending. Having had at the time enough money to go around made it simpler for the Government to resolve conflicts of interest — in part, merely by, in a difference of civic opinion, giving funds to both sides to pursue their purposes. Amid the general fiscal affluence in those earlier years, West Germany's development policy, not least because of international pressure (the United Nations' call for donor-countries to move toward using 0.7 percent of their GNP for development aid), came off pretty well.

— *The entrenched positions of the development institutions:* The overall development goal, and especially the more restricted aims of certain implementations of development policy (education, research, agricultural research and development, private business co-operation, and others) with time have built up their own institutional apparatus, each bureaucracy with its own momentum. Statutes, regulations and custom assign to each organization its sphere of activity — which it defends against encroachments by other institutions. Hence, the "Aid Ministry" usually guards its independence from the Ministry of Economics and/or the Foreign Office. But in practice, it works more like this: Certain departments in all the ministries have their little "dynasties". The entrenched position of these "development cells" is the more pronounced in institutions and agencies below the ministerial level.

— *The idealism among staffs concerned with development policy:* Ideally, development-policy work calls for a specific type of staff member. He or she ought to be open-minded toward cultures elsewhere on Earth, have linguistic ability, be flexible, able to improvise, and a good deal more. These qualifications rank high, particularly, in regard to tasks in the "field" — in developing countries. But such assets also are desirable at home headquarters, to ensure at least some empathy with the people in the field and their situations.
In fact, a strikingly large proportion of aid workers tend to identify themselves with the development mission rather than with any other major interests — aside from, of course, personal hopes and plans involving their own career and the material welfare of themselves and their families. Certain institutions in the Federal Republic of Germany — the German Volunteers Service (DED) for one — tend by their recruitment policy (among other aspects: low pay) to become strongholds of development idealists.

— *The international organization of development policy:* In United Nations organizations and other institutions of multilateral development co-operation it is not likely that you will get extensive consideration for the exclusively national concerns of your own country. International agencies tend to make development work an aim of itself. These institutions' considerable influence on development policy, for instance at international conferences, also strengthens the hand of those working within the national frame who most expressly represent, back home, year in and year out, the unalloyed purpose of development co-operation.

Against this background, it is understandable that, as implied above, and not only in the Federal Republic of Germany or only yesterday, *a development "community" has emerged.* In the various donor countries, the development coummunity is somewhat a world of its own. Its members discuss a favourite topic of all of them: how best to get on with development. The community will energetically warn off other interests from invading the development sphere. And in the course of time the aid "community" has developed its own economic and political interests: only partially public — more typically personal concerns. How much is he or she earning? How profitable is a special consulting company? How much clout within the community has this or that section chief? What is this or that manager's, director's, trustee's, department chief's comparative "standing" (measured, usually and no doubt alas, by the size of the person's staff and his budget)?
Interesting matter for the development community, too, are such fringe benefits as the welcome extra minor income you can sometimes earn on a duty trip (perhaps by staying with relatives when your per diem allows for a good second-category hotel); the small glory of getting published; the contacts you make and pleasant relationships you develop in the home country and abroad. To the outsider these interests may seem trivial; to the "development community", they involve the small chances, triumphs, joys that sweeten the day-in-day-out labour of "doing something practical" about the situation of our poor and rich planet.

3. The Red-Tape Labyrinth

While the development community is trying to hold its own against other interests, every-day procedures are running their usual course — which certainly in the case of development policy and the implementation of aid measures means the reality of administrative requirements. In particular, the development-aid workers in the field loathe the administrative strait jacket that nowhere near fits the realities. To be candid: The development community itself has to make the blame (or credit) for some of the red tape in which it is ensnarled. In the early days of caring about poor countries and populations, the domestic problem was how to stand a good chance of keeping other (and sometimes less idealistic) interests from invading this new sphere of international co-operation. The aid planners devised elaborate, impressive mechanisms that they hoped would win attention for the effectiveness of their proce-

dures. (These self-imposed requirements were in addition to all the already existing governmental rules and regulations.)
This defensive offensive by the development-policy pioneers features: the project evaluation. This procedure imposes a kind of universal litmus test: "To what extent", it was and is almost always asked and answered in a project evaluation, "does this undertaking really advance the social and economic development of the republic of so-and-so?" A good question: And to find the answer, aid expenditures are probably subjected to a more rigorous pre-examination than most other public expenditures. Then there are the running or concurrent examinations while a project is being carried out, followed by post-evaluations, sometimes with recommendations for doing better another time. Now none of these examinations can really guarantee that a project will achieve or is achieving or has achieved its stated aim. This deficiency is partly because high-up persons (usually representatives of both the donor and the recipient country) have usually already decided, in advance of the details work, that such-and-such a project is to be launched. The examinations are supposed only to affirm the original intent and to work out details in a way that avoids any obvious deficiencies or reversals of the purpose.
This labyrinth of self-devised evaluations, and the rest, planned by the pioneering development people, has not been simplified with time. If anything, the ceaseless criticism by the development community has resulted in the aiders laying out for themselves still more mazes of evaluating procedures.
Since the 1950s and 1960s, several waves of critical debate have rolled through the development community. As a result, more elaborate, more refined methods of project evaluation have been worked out. This has been done not only to satisfy domestic critics but also to prevent, if possible, undesirable side-effects of a project in the country or area to be helped. Here are some of the major alterations:

- As development policy has turned from concentration on pure growth to "redistribution with growth", a distribution analysis has been devised: a way to evaluate, along with a project's effects on economic growth, its effects on income distribution (Van der Tak/Squire).
- Within the strategy of aiming to satisfy a developing country's basic needs, Schwefel has worked out the product-path analysis: It examines a project's contribution to the desired increase in consumption by lower-income groups.
- Within the frame of ecologically oriented development co-operation, procedures have been devised also to evaluate, by means of "environmental impact statements" a project's effects on the environment.

- Regard for socio-cultural aspects of development co-operation, finally, leads, at project level, to a complex socio-cultural evaluation, for which the procedures here, too, already are at hand.

Given so large an investment of work (and money) in preparation for a project, the project itself practically has to be implemented, so as to justify what it has already cost; and also in order not to disappoint the expectations of the original planning partners. And, frankly, it is more than questionable whether all these additional and constantly new demands the development community has imposed on itself have, practically speaking, changed things very much. In grey areas, the stiffer requirements can result in merely a practice of false labeling. This happened, for example, in the frequently mentioned case of the basic needs strategy: Once this new approach has been adapted by the BMZ, a high percentage of projects began turning up described as being — surely enough — basic-needs projects. These internal vagaries of development decision-taking are of course also subject to all the red tape presided over by the public administrative officialdom operating on their own. The regulations of this bureaucracy have been centuries in evolving. The rules are intended to guarantee that the would-be spenders are being penny-wise about using tax revenues; and are using the funds only for things that are in the public interest. The control of the budget by Bonn's parliament and by the legislature in other democracies is the oldest and most important instrument of popular sovereignty.
Still, in practice this budgetary control by the watch-dogs of the electorate means that in the Federal Republic of Germany a ministry, aid-planning foundation, or implementing agency has to schedule all its spending approximately two years in advance. This planning for the year after next has to be done through all levels of the executive institutions, and up from them, in the case of development policy, to the Ministry for Economic Co-operation (BMZ).
From the BMZ the chain of thinking about two years from now leads to inter-ministerial negotiations (especially to discussions with the Finance Ministry), to committees, and then to the Bundestag. The route is a long and devious one. Along the way everyone involved seeks to preserve the "title" to the project he originated; has to look to maintaining the rate of expansion expected of its activities — and keeps in mind, along the way, possible opportunities to stake out new benefices. Descriptions of contemplated projects are a sine qua non of this complex process of checking on and approving aid funds. Yet the project write-ups are mere hulls encasing the actuality of the project itself. The write-ups are typically embellished with seductive words, as come-ons, to enhance the chances that the proffered project will indeed be approved at the next higher level.
Once a planned project has been funded, the project has to be carried out at all events — even if meanwhile important data influencing the

plan's relevancy have changed. At the end of the calendar year, there is, literally, a reckoning: Have we spent all the money we asked, two years ago, to use this year? If not, December is a hectic month. To return money that has been granted is the cardinal sin. Couldn't an aid agency avoid this Christmastime rush to get rid of development funds in the best possible — eleventh-hour — way? Yes. There are rules and regulations in the budget law that allow postponing or changing the use of appropriated funds. But this would mean considerable extra work in one's own institution, and going back to the BMZ — whom nobody wants to annoy.

Another assymetry in the aid pattern is a tendency of aid-policy personnel to got for the big, multi-million project in preference to a much more modestly funded one. Why? Not from avarice — the funds after all aren't going into the aid people's pockets — but from a sense of the aid-policy realities. The aid institutions are supposed to certify their efficiency in terms of project funds spent per person employed in the operating agency. So it is simpler, administratively easier, and better for an agency's record, to underwrite, say for example, a power station for a hundred million marks (or the equivalent in dollars or pounds or kronen) than to administer a project for a large number of miscellaneous small credits to miscellaneous recipients. There we have an example of how supposedly neutral and necessary administrative red tape in fact can end up making development policy.

In the long run, the funding situation gets still more complicated. Precisely because most development projects are not completed within a year, an agency earmarks further funds, in the form of authorized obligations, for a project's prolongation. For purposes of better control, fiscal planners now reckon with so-called flow-off keys: These indicate at what times what funds will be used at the various states of project implementation. On the average, these advance estimates assume smaller flow-offs at the start and at the end, larger ones during the main phase of a project. Minor-seeming changes of the flow-off projection can mean that seemingly enormous funds can be made available. How is this done? By turning to the large amounts of unused money that are always in the "pipeline" — funds that don't join the flow-off because the terms of their use haven't yet been fulfilled. Now to the administration of an organization concerned wit development policy juggling these funds that are still in the pipeline provides an instrument for engineering fiscal flexibility. At the moment, does an agency need to expand? Or to cut back? Depending on which, the administration can either act to get the funds out of the pipeline, or keep them in for a while longer, to help with budgetary manoeuvring.

Proceeding with our tour of the ups and downs of aid financing: Techniques an organization can use to help it reduce operations for a time include making more complex or stricter demands in regard to project

preparation (evaluations, feasability studies). These additional procedures can mean desired delay at any stage. Usually an aid-agency staff member, pressed as ever for time, is relieved to be told he can postpone his various project-phase deadlines. If instead the agency needs to spend more money, and put in more hours — expand — the reverse procedure can be employed. In this situation, the administrative people accelerate the flow-off of money. The agency starts staking its know-how and its funds on grander projects, possibly commodity aid or balance of payments support — and perhaps on comprehensive country-wide programmes instead of on single projects. In one way, all this makes sense. In another way, here again we see administrative sections, doing their best to respond to changing financial circumstances of their organization, taking measures that actually amount to decisions about strategy for development.

Then there are the snares of policy-making, both internally in relation to personnel, and externally, vis-á-vis the media. The scope for manoeuvring that is left after the procedural constraints which we have been observing is by no means going to serve a relevant policy. Instead, the narrow leeway is apt to favour this or that officer's or department's pursuit of personal preferences; image-cultivation; and keeping up assurances to the outside world that everything is ship-shape. For above all the concept of development policy must keep selling itself to the taxpayers/voters. The media display a quite exotic interest in the whole development complex. This media interest is expressed now as humanitarian comment; again as a crusade against squandering tax money; next, perhaps, as an aid-policy situation that needs correcting "in the national interest". An aid agency plays it safe by seeking immunity against critical publicity: via a drastically preventative approach that may, indeed, ward off unwelcome scrutiny by the media; but which also inhibits the disclosure of aid-policy information that would foster informed public discussion.

4. What Happens in the Recipient Country

We have been looking at the money-flow and "pipeline" problems and opportunities from the perspective of the donor in the North. How is it with the recipient in the South? There at the other end of the aid pipeline things don't look much better — only different.

First, the effects of development co-operation are smaller than one might expect. Second, there is little leeway for bringing about a change in the aid's effectiveness. Transfers of public resources from industrialized countries account for, on the average, less than 5 percent of a developing country's savings. This proportion increases if you include private capital, or if your merely figure the share of the foreign public funds in the recipient country's budgeted public spending. Still, it is clear that the two oft-cited gaps in countries of the Third World — a lag in the accumulation of capital; insufficient earnings of foreign currency — could be closed if the savings quota were to increase by just 1 percent, or if exports could be increased by about 10 percent. There are, of course, considerable country-to-country, region-to-region variations in these sums. Bangladesh or the Sahel Zone represents a much different situation than does, for instance, Southeast Asia or Latin America.

Yet these difficulties provide more convincing, and disturbing, evidence for the thesis that the very countries in which development co-operation is especially needed are those in which, unfortunately, such an aid partnership accomplishes the least. True, these neediest of the world's needy countries have developed into stamping grounds for foreign experts and aid missions. Despite (because of?) this "development", there has been, in the usually understood sense, little development. This stagnation has various causes, which have repeatedly been pointed to by development policy-makers. But in the South as in the North, a series of structural deficiencies stem from the nature of the aid relationship itself; that is, from the way it is implemented. This methodology often follows criteria that are hardly those of rational development policy in a narrower sense. Let's consider some of the most important of these structural deficits:

— *Low absorption capacity:* The scantier the means for development co-operation may be in relation to a donor or recipient country's gross national product, or to that country's savings or exports, the larger they loom in comparison with the effectiveness of the development-co-operation programme's administration.

  Usually only a quite short list of "good" projects exists in a developing country — that is, projects which are technically feasible, financially sound, and meaningful for the national economy. The already-short list of "good" projects diminishes further if you apply additional standards by asking such questions as: Will this project improve the distribution of income? Will it help in the struggle against poverty? Will it be non-harmful to the environment? Is the project compatible with the host country's society and culture? Any project that survives all these tests has no trouble finding a backer: All donor institutions energetically compete for the privilege of being allowed to finance so rare an operation as this.

— *Wrong partner:* The very term "development co-operation" itself makes it apparent that hardly a single assistance measure can be carried out successfully without a (suitable, to be sure) partner. Often a project goal isn't reached simply because a selected partner has no jurisdiction over this particular undertaking. (Perhaps you have the Minister of Industry as partner — but the essential elements of the project are being handled by the Minister for Foreign Trade.) Or a partner may be unable or unwilling to do what you would like to have done in the host country, so your partner's attitude toward the project ranges from bored to hostile. Such a partner, typically, is well-prepared, however, to control the funds, the hiring, the official car.

— *Inaccessibility of target groups:* Besides unsuitable partners, a host of other reasons can be behind a cardinal deficiency in the execution of a project: that is, failure to reach the intended target groups. Such a failure can apply, especially, to plans intended to better the living conditions of the poorest sectors of the populace. Two common abstacles in the way of getting through to such a target group are the transportation costs in reaching remote regions and problems (usually linguistic) of communication. Besides, the poor usually can't assert their qualifications for aid or press their needs in the face of more powerful, more adroit competitors who don't actually belong to the target groups.

— *Unintended preservation of the conditions that necessitate development assistance:* Often it is even possible that the provided aid causes a sort of boomerang amelioration: that is, the aid makes a bad situation more endurable, and consequently preserves the very problem that the assistance was originally meant to resolve. For example, there is the slum neighbourhood that, once development aid has endowed it with a water supply, is somewhat more acceptable to live in, even radiating an attraction to the extent that it swells the migration to the city. Here development co-operation gets into a trap, a kind of "moral hazard": Now development aid is fostering conditions that call for more aid.

— *The contra-productive acculturation of development staff members in the field:* Field personnel can only overcome all these difficulties with almost superhuman engagement. Worse, they get into a dilemma: "Do I, a foreigner, take pains to become identified with this country's mainstream society? This could make it harder for me to help bring about a social transformation. Or do I isolate myself in the foreign ‚experts' ghetto'? Then my only indigenous contacts would be with the susceptible elite".

— *Distortions for the sake of "getting through" to headquarters:* Central headquarters of a development-policy organization usually has — despite efforts and intentions — only a superficial picture of the situation "on location", "in the field" — in the partner-country. The by-now-knowlegeable representative on the scene uses a good deal of time and energy in trying to depict his work, and the circumstances, to the home office. The person on location seeks to demonstrate successes and explain setbacks in terms that aid-policy people at home will grasp. Because, after all, the development worker abroad is paid by headquarters, and because the future career is very much dependent on the impression the representative in the field conveys back home, it can happen that the communication between field and home agency evolves a pseudo-project with pseudo-problems and pseudo-solutions. Such distortions are sometimes magnified in the communication between the aid-implementing headquarters and its fund-approving supervising authority (in the case of the Federal Republic of Germany, the BMZ).

All these structural malformations will continue to hamper development co-operation in time to come. For these basic problems exist independently of stylish trends in development policy. Any change in policy is going to have to accommodate itself to the inertia that is inherent in these deficiencies. How good are the prospects for breakthroughs for the better? Not very. In "the most favourable case", the possible negative concomitants of development co-operation — for example, the choice of a partner who actually is profiting by the country's underdevelopment; the worsening of the living conditions of the poor; the culture shock caused by the "demonstration effects" of the continuing presence of foreign (and by Third World standards, wealthy) experts — will be lessened. *The mere reduction of negative consequences of development co-operation is, however not to be confused with development.*

C. The Policy Dialogue in a Jungle of Conflicting Interests

From our close-up look at the development-policy discussion and the actual practice, these two theses emerge:

— *Development co-operation, at least at present, has little influence on the development of countries of the Third World.*

— *Changes in development policy are limited by the interplay of interests and procedures which are considerably stronger than the interests and procedures oriented toward the development goal.*

Although, surely, numerous development policy-makers could be found who would agree at least in part with the first thesis, on the slight influence of current development aid, there is willing suppression of the facts of the second thesis, calling attention to the fact that interest groups outmanoeuvre the development-aiders. Moreover, the now fashionable demand for a policy dialogue (discussed in section A) is based on the first thesis: the limited influence of development activities.

What now? Considering the modesty of development co-operation, and in recognition of the sometimes great progress by individual developing countries, the clearly indicated course would seem to be to press the less-successful countries to alter those structures and policies that are responsible for their poor national showing. But what of the interests and procedures that could actually support and implement such a new approach?

1. The Lessons of Political Interventionism

Beyond doubt, it is the Powers with a colonial past and in one form or another a tradition of empire — particularly the United States, Great Britain and France — that have had the longest experience with interventionism. They have massively, usually militarily, involved themselves in political and social structures of the Third World. This the Powers have done in pursuit of — again — not developmental but political and economic purposes. This fact of international life has only changed to a degree with decolonialization. Interventions by the industrialized countries, including some of a military nature, into events in developing countries remain almost the order of the day — now, however, often at the request of a group — usually the regime — within the developing country. This applies to Zaire and Vietnam, for example, as to Afghanistan and El Salvador.

However, it has never been the aim of such interventions to create conditions for successful development. Instead, as a rule the aim has been the stabilizing of an existing regime against its domestic enemies. In the foreground of the interventionists' motives has been the fear that in case of a successful overturn of a Government, the country involved would alter its global political ties: That is, a pro-Western Government would be followed by a pro-Eastern one. This geopolitical interest often concurred with economic aims, because the intervening Powers assumed that a new "Socialist" government would expropriate their investments, or at least would make massive changes — to their disadvantage — in the conditions for doing business.

More rarely, the Western Powers have intervened *against* existing regimes. When they occasionally have done this, the Western intervention mostly took the form of a more or less direct and massive support of the respective Government's domestic foes, including exile groups. So it happened, for example, in the cases of Guatemala, the Dominican Republic, Cuba, Chile, the Central African Empire (Bokassa), and Nicaragua. Grenada represented a speical situation. Frequently withdrawal of support means the death verdict (for instance, in the case of the Iran of the Shah or the Nicaragua of Somoza) for the ruling regime.

The interventionism, especially that of the United States, is usually motivated by a simplicistic friend-foe way of thinking within the context of the East-West conjunction. Because most existing regimes tend to be pro-Western, the intervener likes to see the opposition as a Communist instrument of Moscow within the frame of a global Soviet conspiracy. This projection of a supposed global Communist menace by Washington does much to explain the quantity of America's "development" assistance — and also, unfortunately, the quality of much of it.

For the current U.S. foreign policy distorts the political and social realities of developing countries and often produces a "reality" of the American Administration's own. That is, the U.S. Government's stance frequently compels oppositional groups in another country to seek backing from, typically, the Soviet Union. This in order to try to counterbalance Washington's support of the existing Government. For by no means in all cases do oppositional circles in this or that country harbour a clear anti-American or anti-Western attitude to begin with. The Zimbabwan situation illustrates the fact that even liberation movements shaped by Socialist rhetoric gladly pursue their country's (not, say the Soviet Union's or China's) own economic interests if the way to do that is opened to them.

Castro's Cuba could have remained, in spite of and after some expropriations, and while officially maintaining, to be sure, a nonaligned status, a country still closely linked economically with the United States.

For it is with the big American neighbour — in view of sugar exportation, tourism and import interests, which include high-tech manufactured items and capital equipment — that Cuba's economic interests undoubtedly lie. Once a liberation movement has come to power almost exclusively with an anti-Western ideology, afterward it is understandably hard to establish good relations with a Western nation. Thus the hang-up about friend and foe on the part of a Superpower gets in the way of dynamic and fruitful relations.

The other way around, the United States (the West) has often clung too long to supporting a ruling regime. For the reasons behind the instability of the supported Government are usually rooted deeply in the social structure of the developing country. Then a permanent tactic of girding the regime's security force to smash its foes hardly solves the problem. To transfer this insight into foreign policy is, however, in most cases, quite something else. For the U.S. usually has unwisely close ties with the country's ruling elite — and they resist any domestic reforms that would be painful to their class; resist, at least, as long as these elitists see a chance to hold the field by force of arms, thanks to American support. Here is the dilemma, long since examplified by Washington's difficulties vis-á-vis Central America: The reforms necessary for genuine stabilization within a given country could only be forced on the domestic elites by sacrificing these very elites, who are enjoying Washington's supposed "stabilization".

And something more: The elites that in various developing countries are being supported by the West may be involved in sharp, warlike conflicts with each other. Then Washington's friend-foe stencil involves the United States in still greater foreign-policy difficulties, when the enemies of the friends or the friends of the enemies are categorized as America's friends. For instance, when friend Mexico has good relations with enemy Cuba; or friend Britain is at war with friend Argentina; or friend Israel supplies enemy Iran with arms. Ruling elites to whose support Washington has committed itself may involve themselves ever more deeply in local or regional conflicts, into which the U.S. Government is thus dragged without having been previously consulted — conflicts that Washington had no intention of getting involved in. An example here is Israel's invasion of Lebanon.

Finally, U.S. interventionism has often gotten into deep water because of the Government's inability correctly to analyze the society of a developing country. This plus Washington's "conspiracy" theories and its spontaneous inclination to choose local entrepreneurs and the military as partners have obstructed the view of complex conflicts of interest which determine the social reality of a developing country. Then often the military (for instance, in Peru) or the entrepreneurs (in Somoza's Nicaragua, for example), whom Washington had been betting on as stabilizing factors turn out to be rather revolutionary. *The foreign-policy-motivated interventionism runs up against the same barrier that blocks* *the development instrument of the policy dialogue: a lack of clear perception of the economic, social, political and cultural structures and processes of developing countries.* This is a deficit that makes it seem doubtful whether an intervention in favour of a certain policy or group really brings the wanted result.

More fortunate in its outcome than Washington's way is Bonn's pluralistic approach to developing countries. Not only are intergovernmental relations fostered through official diplomacy. In addition German political parties, usually through their respective foundations, as well as churches and other non-governmental organizations maintain relations with groups — often, opposition circles — in developing countries. What on the one hand might look like contra-productive extravagance — supporting conflicting interests with funds from the same ministerial pot — over the medium range, on the other hand secures contacts with whichever side wins out in the domestic conflict; that is, the future authorities. (However, even this pluralistic approach to relations with a country is no guarantee that the choice will not fall on the wrong partner.)

2. How Foreign Policy Lays Snares for Development Policy

As short-sighted as some of them may be, alliances between various political and social groups in developing countries and industrialized countries do exist. The obligations entered into amount to international ties that influence the whole pattern of co-operation, including aid activities. Of special significance within this conjunction are the relations between the Governments — with the developing country's Government frequently representing elites that have no democratic legitimation. *A policy dialogue on development co-operation must inevitably get into conflict with these foreign-policy interests.* For policies are not economic abstractions; they always concern the very real interests of specific groups in a society. Again the IMF provides an enlightening example. The International Monetary Fund invariably gets into massive conflict with the Government in the Third World because the Fund has to insist that the developing country assume the burdens of economic adjustment. The Fund leaves it to the debtor-country's Government, within the limited options, to determine onto which sector of the population to offload the burden. Usually the class that gets to pick up the cheque is the poor. While the elites live the good life from funds stashed away in foreign banks, the less-fortunate part of the citizenry shoulders the readjustment burden. As a consequence, the International Monetary Fund (and with it the West) almost totally alienates itself from the burden-carrying classes in societies of the Third World. As long as this role of the bogey man is taken over by multilateral donors, the foreign-

policy costs to an individual country remains low. Although there is a popular conception of the IMF as the financial scourge of the North (and the voting arrangement on the Fund's supervisory board would seem to bear out this conception), still the Fund is an organization of the North *and* the South: The developing countries take part in the decisions about the stabilization programme. With the EC it is another story. Even when the rôle of scape-goat is not handed to a member country, it nevertheless remains in the "North". There is, in any case, only a slight possibility that the policy dialogue will become a bilateral venture. For an individual donor usually hasn't enough influence, by itself, to exert pressure on a recipient Government. Co-ordination is essential — as the OECD emphasizes in its 1983 DAC review on development co-operation.

But multilateral co-ordination of development programmes doesn't solve the individual donor-country's foreign-policy problem. On the contrary: The "mulitlateralizing" of the aid deprives the individual donor-country of the power to dispose over it — eliminating the development measures as an instrument in the service of national foreign-policy interests. This issue has already arisen within the context of multilateral aid, for instance, in the debate about the feedback to individual participating donor-countries of orders stemming from multilateral development co-operation. We can draw a significant parallel in asking: How is the situation with *policy* "feedbacks"? During the policy dialogue, after all, developing countries express negative reactions not unlike these countries' expressed objections, in the debtor-creditor situation, to IMF policy. How is this negative *political* feedback from the South channeled to individual countries of the donor North?

The question takes on practical import in that there is surely going to be dissatisfaction with the policy dialogue if it seeks to impose conditions on recipient countries. No matter how well-intended the suggestions, they will always be unpopular with certain circles, or will indeed benefit some sectors more than others. Moreover, between these groups in a developing country and the donor-countries working as a team there may be an interplay of conflicting allegiances. Thus the French, for example, might well want to support a developing country's elite, a class that has been pro-France since colonial times. By contrast, the Dutch delegation to the multilateral donor organization would like to better the circumstances of the poorer sectors that have been exploited by this elite, at the expense of just this elite.

These conflicts, and the accompanying expectations on the part of the developing country vis-á-vis the donors, will characterize the dialogue even into and during an extended period of implementation of the aid measures that have been decided upon. Checks on whether the recipient country is living up to its obligations will produce further controversies. Domestic political arguments in the developing country as a consequence of a policy change — in turn brought about by the dialogue with the donor side — will end up, often, in calls for the donor's economic and military support. And finally, *the donors' economic and political interests will usually conflict with the development aims worked out in the dialogue.*

It is quite possible, for example, that ideological demands (usually for more free enterprise) on developing countries could be tossed back to the European Community side in a development dialogue with the rejoinder: "How is it that you donors preach free enterprise to us in the South while your yourselves ignore, with your common agricultural policy, the basic point of a free market?" Then too, higher wages following on higher prices for farm products could endanger the economic viability of direct investments in developing countries: The prospect of having to pay higher wages might well make a venture in the Third World less attractive to a potential investor. Again, orientation of a developing country's farm production toward domestic consumption cuts down the supply for export, and pushes up prices of food in the industrialized countries. All these circumstances are additional dilemmas — reflecting national foreign-policy and economic interests as opposed to development policy — and may make it harder for donors to co-operate multilaterally.

3. The New Pattern of Interests: Potential Dangers in the North-South Relationship

We have seen that progress in North-South partnership is being hampered by, first, the general ineffectiveness of development co-operation; and second, the priority on interests alien to development policy. These two situations seem here to stay. Accordingly, the latest approach, the policy dialogue, has at best only limited prospect of succeeding.

This glum situation does not say that no policy dialogue can proceed, or even continue indefinitely. It can and will. But the discussion will be without a binding quality on either partner. There will even be better co-ordination of the activities of the donors — among themselves and with the policies of recipient countries — to the extent that this doesn't infringe, or touches only marginally, on foreign-policy and economic interests. The policy dialogue may step up efficiency somewhat. It will not change anything in regard to the gigantic dimensions of the development problem itself. Such a basic transformation, that is to say, would require a much more intensive common effort by the North. Quantitatively, the industrialized countries would need, for an important example, to come nearer the United Nations-set goal of setting aside 0.7 % of their gross national products for development measures. Qualitatively there would need to be a departure from the past. Above all, completely

new priorities should be set. *The North (its elites, the majority of the population) would have to come to see development aid as not a competitor with other policies, but instead, a highest-priority component of both foreign policy and economic policy in regard to the Third World.* Just such a new priority is constantly being called for by representatives of the "development community". Unfortunately, the community as a whole, and especially the politicians, minimize these pleas as self-advertising, and get on with what they consider to be the really pressing business of the day. Still — since we are arguing that only a major transformation of the status quo would make any real difference — what reasons could be adduced to justify such a revaluation of current priorities? Below are half a dozen such motivations, along with candid observations about what may detract from their value.

- *The humanitarian goal of doing something about poverty:* Coping with poverty certainly offers, in the long run, one of the strongest foundations for a development policy that would "go over" both at home and in the partner-country. Indicatively, it is just the countries that have attained or surpassed the 0.7 % goal in which this aim of really moving against poverty was kept in the foreground during discussions of budgets and spending. On the other hand, an industrialized country could feel that fighting poverty begins at home. What seems to be ahead, then, is ameliorating efforts regarding developing countries' poverty, rather than all-out efforts — which would compete with efforts and funding needed to cope with a domestic economic situation that either is, or at least is thought to be, no longer very much in order.
- *Peace policy:* We have seen above that development by no means necessarily reduces conflicts. Aside from that consideration, primarily applying to domestic tensions, this can be said of the Third World on the international scene: The developing countries do not represent a massive military threat. (Exceptions such as the Falklands war prove the rule.) And what about the smaller-scale but more imminent danger of military conflict among developing countries themselves? With the possibility that industrialized countries — in some circumstances the Superpowers themselves — could get involved via alliances? In view of this danger, the industrialized countries wisely, while not trying to settle the conflicts, will try first and foremost to steer clear of any military entanglements.
- *Common interests in the sense of the Brandt (North-South Commission) Report:* A global Keynesianism — massive public spending in order to reflate the world economy by increasing the poor's demand — seems (as indicated by the course of the North-South dialogue since the Brandt Report) at the most in the interest of some, and not of the determinant, groups and factions of the North. Indeed, the

commission has to hear remonstrations that these goals (combating unemployment, fostering an economic upturn, fighting inflation) could be attained as well or better by selective measures within the countries of the North.

— *Global employment policy:* Within a global economy integrated by its trade and capital flows, a world labour market with a large surplus labour force develops. This situation on the world labour market engenders competitive pressure to lower labour costs until they are under the subsistence level. Thus the internationalization of production is a danger to the industrialized countries' island of affluence. For this problem, there is, in theory, a remedy: Were the Third World to create a massive internal, supranational "domestic" market, it could absorb the surplus labour force in the developing countries, and at the same time avoid a job-competition situation that otherwise looms for most working people of the North. Although this could be a relatively fortunate state of affairs, unfortunately other, alternative prospects seem more likely. One is the protectionist sealing-off of the North's more vulnerable economic sectors. Another is the threat that every move toward development in the South will start by enlarging the internationally competitive labour supply — by producing greater numbers of qualified workers in developing countries, manpower that given the new global infrastructure will have access to the world labour market.

— *Indebtedness:* The international financial crisis has brought the banking systems of the industrialized countries to the verge of collapse. However, up to now the monetary-policy institutions have been able to "manage" the crisis. If, though, the crisis escalates, the prospects are for at least partial cancellation of the Third World's debts. But — again as so often with development first aid — the matter would end with this palliative, far short of a cure.

— *Ecological interdependency:* At the latest since the striking report to the US President known as Global 2000, broad circles in the industrialized countries have been aware that the protection of the environment is a world problem. Climatic changes, poisonous substances in food and the loss of a variety of species of plants and animals important in human nutrition endanger not only the economic welfare, but also the life and health of many men, women and children, not least in the countries of the North. Yet here, too, the point is valid that the industrialized countries at most will take measures aimed at coping with these specific problems; the more so as to work toward development in general probably would increase the burden on the natural environment and on the reserves of raw materials — would do that, at least, if the course taken follows the traditional model of the process of industrialization.

Thus none of the pressing problems of humanity is likely to strike people as so urgent that it is time to change any usual order of doing things. The priorities attached to the various interests, purposes and policies will remain as before. The reality need not exclude the previously touched-upon changes in development policy, one, for example, involving more attention to the natural environment.

At some length we have implied that the new fashion in development co-operation, the policy dialogue, will not make much difference. Where it has, however, its best chance to justify its proponents' claim for it that it is a breakthrough in development activity is in those poorest countries that are vastly dependent on development assistance and that have hardly a chance to manage development on their own — perhaps, for instance, because their economy offers no basis for exportation of raw materials, and/or semi-processed or manufactured goods. It is in such countries — for example, those of the Sahel (arid) region of Africa — that the aid relationship can assume the greatest degree of autonomy. In these least-developed countries of the world, the industrialized nations' customary priority on national foreign-policy interests and on business over development co-operation is less pronounced. This being so, in the poorest countries the unalloyed consideration of how to combat hunger and other forms of poverty is allowed to assume a certain importance. But even in such disadvantaged countries and regions, the priority of development co-operation is temporary and precarious — dependent on nothing's happening (such as intervention by Libya) to reverse the priorities once more.

As for other countries than these poorest ones — particularly countries that are really seeing to their own development; that is, are creating economic and political potentialities for themselves — here foreign-policy and economic interests and measures will increasingly predominate. This circumstance finds expression in the proposals for "graduation", and, even more clearly, in the concept of "priority countries". Here the typical instruments of development co-operation are decreasingly called for; here it is more a matter, instead, of "relations with the South" or "foreign policy toward the South". With such advanced and advancing developing countries, a policy dialogue can and will be carried on — and on more equal terms than previously.

Such a dialogue of equal partners has been proceeding for a long time already among the OECD states — with, however, dubious successes, if you think, for example, of the usual outcome of the economic summitry.

Something genuinely effective deserves doing to improve the North-South relationship. But the policy dialogue will not be it; will certainly not prove to be as is proclaimed for it, the instrument of a new global development-co-operation initiative. The "policy dialogue" is, in fact, not new; but is, instead a new name for the old game.

Is that conclusion a gloomy one? Realistic, unfortunately; yet it need not, however, be dispiriting; not if we would finally recognize that to call a spade a spade is good sense, as it is in most spheres of life, in development policy.

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