

Spranger:

Improve investment climate in developing countries. Development aid cannot compensate for the damage done by bureaucratic inefficiency. German Development Minister Carl-Dieter Spranger has called for better advisory services to improve the investment climate in developing countries. Direct foreign investments were the most effective source of capital inflow for the developing countries, he explained, and it was in their own interest to create the general conditions needed to make their countries attractive for foreign investors. Traditional reform programmes orientated merely to macro-economic stabilization were insufficient for improving the investment climate. What was also primarily needed was a reform of the public sector and the development of an efficient financial system in the developing countries themselves. According to Spranger, direct foreign investments in 1992 totalled \$38 billion, 50 per cent more than in 1990. The net capital transfer since 1989 was once again positive, i.e. more money is flowing from North to South than from South to North. But only few countries have profited from the capital flow in a southern direction. Of the \$38 billion of direct foreign investments, \$14.5 billion went to Latin America, \$14.3 billion to Asia (of which China received 5.6 billion and Malaysia 3.6 billion). Only \$1.7 billion was channelled to the whole of Africa, and the poorest countries on the African continent have virtually no access to international capital markets.

The investment climate in many developing countries is said by Spranger to be impaired by bureaucratic inefficiency and excessive government regulations. One example he cited was a World Bank study stating that an average firm operating in an African country required 15 government permits a year and 223 hours of work to process them.

No one should expect that development aid from the industrial countries can compensate deficits of this order by increased productivity, the minister stated. The Federal Republic of Germany, however, did want to help dismantle such barriers to investment. Advisory services have been operating for some time for this purpose within the framework of bilateral technical coopera-

tion. This policy received confirmation at the meeting of the World Bank held at the beginning of May; The conference participants from the Third World gave the impression that they were all supporters of the social market economy and followers of Ludwig Erhard. (Ludwig Erhard, the first German post-war economics minister, is regarded as the "inventor of the social market economy" and "father of the German economic miracle".)

But according to Spranger, in many countries government economic activity was still a serious obstacle to development, and for that reason the privatization of government enterprise must be continued systematically. Between 1988 and 1992, privatization measures to the tune of \$56 billion have been implemented in developing countries, some 70 per cent of them in Latin America. "But privatization is not enough", Spranger emphasized. What is decisive is the creation of a legal and institutional framework for private firms which guarantees the principle of competition and social conciliation. Also important is an efficient financial system as the key to the formation of personal savings and the expansion of investment. The countries' banks must operate as generators of development, and channel existing financial resources into productive sectors."

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The German aid organizations recently addressed a dramatic appeal to the national public and the world at large to increase life-saving aid for refugees.

The growing suffering in the world's crisis areas is in need of urgent remedy, emphasized the "Humanitarian Aid Discussion Group", of the German associations. But there was an increasing lack of funds needed to cover the growing deficit. This was also emphasized by the UN High Commissioner for Refugees in Geneva, Japanese Mrs Sagato Ogata.

The office of the UN High Commissioner for Refugees (UNHCR) is currently caring for about 19 million refugees in 109 countries, from Afghanistan to Angola, and Somalia to Tadzhikistan. In 1970, there were 2.8 million, in 1982 eleven million refugees. In addition, there are 25 million people who have lost their homes within their own borders. The 1993 world population report estimates that there are 100 million people who are either seeking refuge or better living conditions.

Two out of every hundred people in the world are said to be living outside their home country. Most of them are

people affected by the 35 conflicts currently raging all over the world. Others are fleeing from drought, floods or other natural catastrophes, while many are just seeking better economic conditions. But primarily it is the combination of poverty, rapid population growth and destruction of the environment that is causing mass migration. This is most evident in Africa, where the explosive growth of urban populations is a reason for growing concern.

Five million refugees in Africa
The UNHCR has registered over five million refugees in Africa alone. There are almost 6.5 million in South-West Asia and the Middle East, about two million in South and North America, and over one million in East Asia and Oceania. The figure for Europe numbering 4.4 million is higher than it has ever been. The problem of the asylum-seekers has also grown. In 1992, their number reached 750000 in Europe

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