EDITORIAL

Development and post-investment

E. Dierckx de Casterlé

The Third World is currently having to face serious external debt problems that are in some instances virtually insurmountable. This very often places extremely stringent limits on its future ability to continue securing investment funds from the international financial markets and hence severely curtails the immediate prospect of importing machine tools and capital goods, as well as spare parts.

When industrialized countries make investments, the exercise involves usually domestic financial resources, an increase in local fixed capital formation, and national absorption capacities which all together induce, through multiplier effects, increased local use of the national manpower resources engaged in engineering services and industry. Unfortunately, the same cannot be said of the Third World: indeed, in its case, investment frequently entails outside borrowing repayable in foreign exchange and in importing external capital goods and technology on a massive scale.

Moreover, it is very distressing to find that the Third World is sometimes described as being the graveyard of capital equipment. After all these years in which they have been making an intensive effort to modernize and industrialize, a good many developing countries have come to be strewn with broken-down tractors, inoperative buses, run-down factories, disused laboratories and dilapidated buildings.

Post-investment must be considered as being a key feature of development. It should include, right from the beginning, the maintenance and training plans that have to be taken into account at the pre-investment stage and have direct implications at the investment stage. The enhanced use of equipment already installed and of the existing investments, the right choice of technology, the proper use of machinery, and the possibility of local construction and of maintenance facilities all have to be borne in mind before any decision regarding fresh investments. Post-investment accordingly involves the whole range of considerations and activities aimed at enhancing the **existing** capital by making optimum use of it in terms of efficiency and durability.

One reason for the lack of interest shown in maintenance stems from the old fashioned, almost watertight, distinction made between investment budgets and operating budgets. All too many national managers who have been alerted to post-investment will claim that they have no money for maintenance purposes. Indeed, in every instance, operating budgets prove to be the poor relatives that have to be cut down to size as soon as the first austerity measures come to be taken. By contrast, investment budgets are regarded as being productive and, as such, are untouchable. If this pointless compartmentalization is to be overcome, economic theories and finance bills will have to be thoroughly reviewed, and investments will have to include provision for the financing of post-investment activities right from the very outset. There is virtually universal agreement on including expenditure on feasibility and pre-investment studies in the amounts earmarked for the subsequent investments involved. However, our current perception of government budgets is such that limits are placed right from the beginning on the subsequent expenditure likely to be incurred on the training, maintenance, repairs and spare parts needed to ensure that the capital invested will fructify. Post-investment is aimed at providing for the performance factor that will ensure the efficient operation needed to generate services and consumer goods, to repay borrowings, and to replace or expand the means of production.

The ideas touched on above are particularly relevant to the industrial and agricultural sectors, but they are also applicable to such sectors as health, teaching and research, and high technology. As a rule, the failure to provide for effective maintenance in agriculture and industry, regardless of whether it is preventive or curative can be clearly identified with problems connected with the shutdown of manufacturing plants and decreases in physical outputs. The same cannot be said of the health, education and research sectors, where the lack of maintenance may only result in a relative decline in the safety or quality of the service or training provided, which it is difficult to verify and is thus all the more serious. Indeed, it is impossible to cast aside a whole generation of badly or unsuitably trained graduates, as might be the case with a batch of defective spare parts. On the other hand, as far as high technology is concerned, the Third World can be seen to be growing increasingly dependent on the West, as a result of the procurement of highly sophisticated tools without any effective transfer of technology and also without any regard for domestic maintenance or performance capabilities.

The outcome could be consequential review of the goals of bilateral and multilateral foreign assistance. However, such a review would not be an easy matter, since it would not really be in the interests of either the suppliers or the beneficiaries. The political leaders of the Third World countries —or of other countries, for that matter — are naturally much happier to inaugurate a new bridge or laboratory or factory than to embark on the more modest and less spectacular task of rebuilding, rehabilitating, repairing or servicing existing facilities. In this regard, they are given support by their opposite numbers in the developed world, since it is obviously a more attractive proposition from the financial standpoint, for an industrial country to sell new tractors, new ambulances or turn-key projects. In such cases, however, it has to be asked who will cope with the drainage of dams, the repair of pavements and the training of maintenance engineers. And yet, activities such as those are particularly relevant to the development of a country's self-maintenance capability and should make it possible to prevent matters reaching the point where the only solution is to replace an old or broken-down item of equipment with a new one. However, if we are to be honest with ourselves, and if indigenous development and self-sufficiency are not to remain an empty slogan, post-investment can and must be a major way of emerging from the stalemate.

E. Dierckx de Casterlé
Senior Project Management Officer
Office for Projects Execution
304 East 45th Street - 9th Floor
New-York, N.Y. 10017
U.S.A.