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CURRENT ASPECTS OF NORTH-SOUTH COOPERATION
AND DEVELOPMENT ASSISTANCE POLICY
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CURRENT ASPECTS OF NORTH-SOUTH COOPERATION AND DEVELOPMENT
ASSISTANCE POLICY

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Policy Concept and Planning

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Much like other donors, the German Federal Government - in formulating its political strategy for development cooperation in the nineties - had to answer three basic questions:
1. How to meet the global challenges for stability, security and the survival of mankind (such as destruction of the environment, increasing poverty and armed conflicts in the South, mass migration from East to West and from South to North). I

2. How to make efficient use of the historic new chances for development cooperation between North and South after the end of the East-West conflict.

3. How to convince an increasingly critical electorate at home to continue with - apparently so far not very successful - development assistance at the same level or at an even higher level.

Under the present condition of enormous constraints on the German budget for development purposes in East Germany, the third question is possibly more difficult to answer in Germany than in other countries. This is one reason why our Ministry, in its strategic considerations, has stressed even more the necessity to increase the efficiency of development assistance.

The changes that have taken place in central and eastern Europe, the end of the East-West conflict, and German unification have opened up opportunities for establishing a new basis for international development cooperation. There is now broad agreement between donor and recipient countries that this new basis comprises two elements in particular. Development policy in the 1990s must focus on people. The fight against absolute poverty, the promotion of education and training, and the preservation of life-sustaining natural resources are central elements of a development strategy focused on people.

Many developing countries have an immense potential for development. Investment in people, by promoting education and science, could mobilize phenomenal reserves. Yet the social sectors, such as health and education, which are among the state's real core task, are often neglected.

Now let me comment on the priority areas of German development cooperation:

Poverty alleviation

For the German government, poverty alleviation is a central aim and a cross-sectional task of German development cooperation, which is taken into account in all areas of assistance. Last year, a special working unit was created specifically for this task in the Federal Ministry for Economic Cooperation and Development.

Poverty alleviation aims to promote the productive capabilities of the poor and enable them to better satisfy their material and nonmaterial needs through their own economic ac-

tivity. The ways to achieve this include increasing national productivity in order to extend the scope for poverty-oriented policy, and direct mobilization of the productive power of the poor. Poverty alleviation is therefore not something to be associated with terms like "aid for the poor" or "alms".

An important form of poverty alleviation is participatory help towards self-help. In December 1990 the BMZ completed its trans-sectoral concept "Poverty alleviation through help towards self-help - self-help movements as partners of development cooperation", thus creating a binding conceptual basis for the work in this priority area. The main aim of the approach is greater orientation towards participation under official development cooperation. In this context, mention should also be made of the "socio-cultural criteria for projects under development cooperation". These criteria were reformulated in early 1992 and are intended to ensure that these aspects are taken into account in the planning of cooperation at both country and project level.

Beyond help towards self-help, there are other forms of direct and indirect poverty alleviation which the German government wishes to strengthen. In the foreground are structural changes, in order that a start can be made on tackling the causes of poverty. Good avenues of approach in the case of poverty alleviation can be found, inter alia, in the fields of environmental and resource protection, education, material infrastructure and in the promotion of private-sector development.

Protection of the environment and natural resources

One of the most serious problems with which development policy must concern itself today is the alarming rate at

which natural resources worldwide are being destroyed. The protection of the environment and natural resources is seen as a cross-sectoral priority.

The very grave environmental problems, which are increasingly hindering development in many countries, are also reflected in the priorities set for bilateral projects. Projects with a direct conservation objective now make up over 20% of total bilateral commitments (1990: 22.8%; 1991: 20.4%).

The German government sees it as particularly important to strengthen institutional capacity in its partner countries for formulating and implementing environmental policies and drawing up land-use plans. The number of projects in these areas is continuously on the increase, and the same applies to those concerned with site-appropriate land use, desertification control, water management, erosion control, soil conservation, and waste and sewage management, particularly in the urban-industrial context.

The procedure introduced in 1988 for assessing environmental impact of bilateral cooperation projects has proved invaluable. The assessment influences to a large degree the decision as to whether to support a project and how this can best be done, and has become a regular accompaniment to the course of a project.

Preservation of the tropical forests has a particularly important place within the German development programme. Financial commitments for bilateral forestry projects have increased more than threefold since 1988; the figure in 1990 was DM 325 million and in 1991 DM 327 million. Funds were allocated to financial assistance and technical assistance in the ratio of approximately 60:40. A total of 55 countries receive support for forestry measures (Africa 28%, Latin

America 41% and Asia 25% of total funding). Since 1989 funding for tropical rain-forest projects has been provided almost exclusively in grant form.

Education

Promoting education is one of the three focal sectors of German development cooperation, together with poverty alleviation and environmental protection.

About one fifth of bilateral ODA commitments which can be broken down by sectors was allocated in 1991 to the sector "Education and Science". Substantial funds come from the budget of the German Foreign Office (cultural fund) and the budgets of the federal states (e.g. imputed students' costs).

Because of their expected multiplier effect, priority is given to projects concerned with the basic and advanced training of teachers and instructors and with advisory services on the design of training systems, in particular with a view to increasing the participation of business and industry. Also, projects serving to support the poorer target groups through basic and advanced training are gaining in importance.

As to aid for primary and secondary education, the most important projects are concerned with promoting elementary teaching in the mother tongue, introducing practical subjects (e.g. agriculture, domestic science) and with improving natural sciences teaching. Literacy campaigns and adult education are being promoted to an increasing extent via nongovernmental organizations. Within the framework of financial cooperation, investment programmes are being sponsored to a growing extent, partly in the form of participa-

tion in comprehensive World Bank sector programmes, where funds are linked to sectoral reform steps being taken by the respective developing countries. Contributions towards improving basic education are furthermore made via UN organizations such as UNESCO.

Aid in the tertiary sector continues to aim above all at consolidating existing capacities, raising standards and improving the contribution to development made by institutes of higher education in the developing countries. This includes an efficient university management, and education and training programmes and degrees and diplomas which are practice-oriented and geared to the requirements of the respective labour market. While the consolidation and expansion of higher education establishments in the developing countries themselves has priority, basic and advanced training for students from developing countries at German institutes of higher education has an important complementary function to perform.

Development cooperation will only be successful if the conditions are right. This includes not only an economic system based on market principles and private initiative, but also the right political climate. The developing countries themselves will have the decisive political and economic role to play in this context. This insight is not new for us. However, the fact that development policy is no longer overlaid with ideology due to the East-West conflict means that there is now a chance to initiate concrete and significant changes in development cooperation.

With the help of experts, the Federal Ministry for Economic Cooperation and Development has worked out a series of criteria which will enable general conditions conducive to development to be taken into greater account than before when

granting funds. In the future, five criteria will be of central importance for the granting of development assistance. These criteria are:

1. respect for human rights;
2. popular participation in political decision-making processes;
3. certainty of the law and the rule of the law;
4. the creation of a "market-friendly" and socially oriented economic system;
5. the development orientation of government activities.

For all the criteria, but especially the fifth, we need to see if there is any trend in the countries towards pursuing developmental policies on their own initiative, giving of course due consideration to a particular government's room for maneuver. These criteria do not therefore form rigid values for precise quantification and do not have different weightings in respect to one another. The overall assessment of a country is decisive and it must be constantly reviewed. Now, let me comment on the criteria more in detail:

Ad 1: Respect for human rights is not only a moral imperative, it is also indispensable if a strategy which "focuses on people" is to be credible. Freedom from torture, the granting of basic rights in connection with arrests and legal proceedings, the application of the principle of "no punishment without law", religious freedom and the effective protection of minorities are yardsticks against which the human rights situation in a given country will be measured.

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Popular Participation in Political decision-making Processes is a further criterion for the granting of development assistance. It should not mean measuring individual developing countries using the criteria for historical constitutional models, without giving any consideration to socio-cultural differences. It is important, however, for the basic elements of a democratic system to be realized. These include a democratic election system, freedom of association, freedom of speech, freedom of the press and freedom of information - in other words, the basic civil rights as laid down in the human rights conventions, which have been ratified by the developing countries. Alongside more intensive development cooperation on the general framework, the project-related participation of target groups should however not be neglected. There is a danger that discussions in the abstract about sensitive areas such as "good governance" may lead to direct possibilities of influence at project level being missed or forgotten.

The concept of "participatory development" was in the past used almost exclusively in relation to practical German project work. A guiding aim of German development cooperation is the (increased) participation of affected target groups in the planning, preparation and implementation of development cooperation projects. Without adequate participation by target groups, no lasting success of the project can be ensured.

In international discussions, particularly in the OECD/DAC, there is a demand for more participatory development linked to the requirement for more democracy, good governance, less corruption, reduced military expenditure etc.

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To give these aims priority within the framework of state activity, the resources of the developing country itself must be made available for such purposes on a priority basis.

In governmental aid negotiations with developing countries the German side regularly makes express reference in the summary records to the importance of participation by nongovernmental organizations and self-help bodies. There is also a desire to involve local nongovernmental bodies in governmental consultations.

In the framework of state development cooperation, all activities are agreed with the central governmental agencies of the partner country concerned. In the case of pilot projects, areas of cooperation where greater participation by target groups is possible are identified and tried out jointly with local nongovernmental organizations. The government is informed about this.

Certainty of the law and the rule of the law constitute the third criterion. The independence of the judiciary and the application of the principle of "equality before the law" are fundamental elements of a system based on the rule of law. There is more to certainty of the law than just the safeguarding of individual rights, however. It also requires that government activity be transparent and predictable. Only on this basis can economic planning and activities be carried out on a rational basis and in accordance with the rules of a socially oriented market economy.

Ad 4: The creation of a "market-friendly" and socially oriented economic system

A further criterion for the granting of development assistance is the existence of what the World Bank, in its World Development Report of 1991, called a "market-friendly economic order". Indispensable elements of this are the protection of property, the principle of competition in all major sectors of the economy, the determination of prices through the market, and freedom of trade and of establishment.

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The development orientation of government activities Economic and social progress, particularly in the developing countries, depends in the end largely on the extent to which the state accepts responsibility for its central tasks and the degree of efficiency with which it fulfils them. Hence "development-oriented government action" is the fifth criterion. This means in particular that priority must be given within government policy to improving the economic and social situation of the poorer sections of the population, to preserving natural life-sustaining resources and, not least, to taking appropriate action to limit population growth.

In order that priority may be given to the pursuit of these objectives within the framework of government activities, these objectives must also take priority with regard to the distribution of a developing country's own funds. In many countries it will not be possible to achieve this without reducing excessive military spending. Our initiative in taking the level of military spending on the part of recipient countries into specific account when it comes to granting development assistance has found widespread support among our bilateral and multilateral partners.

When assessing the military spending of a country we apply the following indicators in particular:

- the level of military spending as a percentage of gross national product and as a percentage of total central government expenditure;
- the ratio of military spending to other government expenditure, particularly in the areas of education and health;
- the level of arms imports as a percentage of a country's overall imports.

A further step is to investigate the nature of a country's armament efforts and the main driving forces behind them, in particular whether the country is seeking to acquire weapons of mass destruction or sophisticated weapons systems, the nature of its own weapons industry, and the role played by the armed forces in the country's political system and in domestic conflicts. Of equal importance, however, are foreign policy factors such as the "security philosophy" of the country in question, its integration in alliances, its relations with neighbouring countries and, in particular, its willingness to cooperate in international disarmament efforts.

I want to stress that in considering excessive expenditure on arms we do not rely upon absolute, globally applicable yardsticks. Nor do we try to establish any automatic link between military expenditure and the volume of aid.

The issue of "excessive armament" has been raised in the policy dialogue with several partner countries of German development cooperation. It was a main topic in consultations with India and Pakistan, countries which range high

among the biggest recipients of German aid. It was equally raised in discussions with African states like Mozambique, Chad, Rwanda, Uganda and Ethiopia.

In addition to the policy dialogue, German development cooperation increasingly offers support and contributions to disarmament and demobilization efforts in various countries trying to overcome the consequences of lengthy armed conflicts.

The volume of our aid to Mozambique, for example, has been substantially increased in order to support labour-intensive programmes in infrastructure - road construction and maintenance, drinking water supply - and agricultural development as well as food for work with demobilized soldiers.

In Uganda we have committed funds for financial and technical cooperation designed to promote civil work schemes employing former combatants. These programmes will be carried out in cooperation with the World Bank in the fields of low-cost housing, roads and afforestation. .

The same basic objective is pursued by our contribution to a demobilization and reintegration programme in Ethiopia, which will be started this year, aiming at the promotion of productive activities in agriculture and in the handicraft sector.

German development cooperation also contributes to reintegration and job-creation programmes for demobilized armed forces in Nicaragua and El Salvador. In both countries the focus is on professional training and promotion of small enterprises.

Within the framework of a rural poverty alleviation programme planned in Viet Nam, demobilized soldiers will be able to benefit from different project components, such as a revolving credit fund for small entrepreneurs, irrigation schemes and the promotion of small-scale industries.

We are also considering resuming professional training projects in Somalia once peace has been achieved, with the specific aim of improving training and employment prospects for demobilized armed forces in that country.

In general one can say that there is considerable interest in dialogue and advice, at least on the side of those developing countries facing the task of transferring the armed forces of a dictatorial system into the civilian control of democratic government.

As you know, the Germans have been confronted with exactly this problem several times in the course of the 20th century. The first time, after World War I, they failed. With regard to the integration of the former national people's army of the German Democratic Republic, we seem to be having more success.

Reductions in military spending must also be placed in the context of good governance, the promotion of participatory government, and the protection of human rights. Therefore, right from the beginning, we have not limited our focus on military expenditure in the quantitative sense, but included the political role of the military. Based also on historical experiences, in Germany there is a high sensitivity regarding the role of the military as "state in the state". For that reason, a number of projects, seminars and international round tables have been organized by German nongovernment organizations geared at civilian control over armed forces and para-military groups, and at the integration of armed forces in a democratic system. In spite of the problems with such endeavours and of heavy criticism caused mainly by prejudices and misunderstanding in the German public, I maintain that also in future these issues will have to be tackled within the framework of development cooperation.

Taking military criteria into account when granting development assistance will not, however, solve the complex problem posed by the excessive build-up of arms throughout the world, especially the industrialized countries. Combined efforts by the developing countries to achieve detente through dialogue, as well as determined action to limit arms exports are indispensable if the developing countries are to reap their own "development dividend".

The criteria catalogue is an important basis for the country concepts, elaborated for around 45 major recipients of German development aid. These country concepts serve as the key management tool for the implementation of development policy goals on a country-by-country basis and the coherent application of the entire set of assistance instruments in line with the development planning, the needs of the partners and the endeavours of other donors.

In applying the criteria just outlined to the overall planning, we were guided above all by the principle that conditions conducive to development and efforts undertaken by the recipient country itself are of key importance not only for the amount, but also for the kind of assistance provided. This principle is based on the conviction that the poor inhabitants of a country whose government does not respect basic human rights and denies individuals the opportunities for economic and political development should not be doubly penalized. The main question to be answered in the effort to take the new criteria into account when planning the allocation of assistance was, therefore, how can we cooperate with a country - even although certain general conditions are not fulfilled - in such a way that the situation of the poor will be improved?

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Suspending cooperation with a country can only be a last resort therefore. In the interests of the people living in the developing countries, before such a step is taken, all the instruments of development cooperation need to be examined, in order to establish whether they can be used to fight poverty, promote education and training, and protect natural resources, without however reinforcing conditions which obstruct development.

Acting in the interests of the people in the developing countries also means being guided by sensitivity and political diplomacy in talks with the official representatives of our partner countries. However, this in no way means ignoring blatant violations of human rights, or accepting conditions which hinder development. Rather, it means that we will need to assess carefully the potential our partner governments have to take action, and appreciate the options available to them when they make their decisions.

It would be unrealistic, for example, to close our eyes to the fact that many governments have only limited room for maneuver when it comes to reducing military expenditure. Only a policy under which a sense of proportion is retained, and which gives appropriate consideration to the length of time necessary for implementing political and economic change and, moreover, is flexible in providing the resources and instruments needed to support such processes of change will lead to Viable solutions in the interests of the people in the developing countries.

It must also be borne in mind that, given a tight budget, new focuses can only be established through the limited redistribution of scarce funds. This will take time and sensitivity. We cannot and will not accept ruins being left behind as monuments to development.

We do not intend to use the new criteria as "thumb screws", but rather as an attempt to place cooperation with developing countries on a fresh footing. The transparency in developmental decision-making aimed at is intended to enhance the consistency of decision-making within the development administration internally, and externally to make us more reliable and credible for both partners - recipient and donor countries - as well as for the public.

I stress this latter aspect because credibility will be the major issue of development policy in the immediate future - credibility not only in donor-recipient relations, but even more in the eyes of the taxpayers in the donor countries, especially in Germany, for the reasons mentioned before.

When we say our criteria and talk about general conditions, this should not give rise to the impression that we want to "force" a particular model of development onto any country. In the case of the general conditions, it is a question of supporting and encouraging governments which have started along the difficult path of reforms. Thirty years of experience with partners in the South, however, have shown that external assistance is of no use, unless the recipient countries' own policy is conducive to development. Therefore a dialogue about their policy is indispensable.

What are our experiences with this approach?

The reactions from partner governments so far have been somewhat ambiguous, but in no case totally disapproving. In a series of meetings with different regional groups of developing countries, where our criteria were presented, partners generally found our concept at least justifiable - and mostly concluded that their respective country would meet the criteria!

Naturally, countries affected by aid reductions tend to oppose such reductions, pointing out that they do meet the criteria. Yet, this reaction confirms their implicit acceptance of the criteria.

There are some regional differences though, in terms of reacting to the criteria.

In particular African countries tend to support the criteria fully, as they have themselves underlined the importance of popular participation in decision-making, good governance and respect for human rights in recent declarations (such as the Declaration of Arusha). African support for the criteria is generally based less on the link between these criteria and development than on the inherent importance of the criteria themselves: Africa wants democracy and human rights as such.

Asian countries, on the other hand, have reacted in a more reserved way. Although they question neither democracy nor human rights, Asian countries tend to emphasize the essential need for political "stability" as a prerequisite for development.

The support of human rights by other countries is - in some cases - rejected on the principle that it represents interference in internal affairs.

In view of the experience made under colonialism, the emphasis on non-interference is quite understandable.

On the other hand, authoritarian regimes sometimes tend to use the principle of non-interference as an excuse to cover up crimes against their own people.

From a formal point of view, interference by foreign countries in support of human rights is legitimate, because - through the ratification in this field of conventions - human rights have become part of domestic law in most countries.

It follows that there is a duty to comply with the rules of ratified conventions. Therefore, the orientation of development cooperation with regard to human rights is legitimate and cannot be rejected as interference in internal affairs. When discussing internal conditions for development leading to "conditionalities" for development assistance, we always stress that, just as we expect a clear development commitment from our partner countries, we ourselves must increase our efforts towards improving the general external conditions for developing countries. It is at precisely this point that ambassadors and officials from developing countries come in by underlining that for many Countries - especially the middle and upper-middle income countries - it does not make much sense to talk about criteria for financial assistance when for them trade is still more important than aid.

Let me, at this point, make a short digression concerning trade issues, as the Uruguay Round and the "banana conflict" are very immediate issues on the international agenda: One important condition on which the success of the Uruguay Round depends is the reform of international agricultural policy. This is also crucial if we are to see an improvement in the economic situation of the developing countries. The subsidized export of agricultural products from industrialized countries destroys local and regional markets in the developing countries and takes away any ounce of incentive

the developing countries might have to build up an efficient agricultural sector for themselves.

With regard to the banana conflict, Germany cannot accept what is a clear violation of GATT. The planned regulation would mean that those developing countries in Latin America which produce bananas and are already experiencing grave economic difficulties as a result of the drop in coffee prices would be robbed of key areas of their export base. This would leave the official EC policy, as it now stands, of helping the developing countries through trade policy devoid of any credibility.

But now let me come back to the experience with our approach:

Another concern expressed in talks with partner countries was the different understanding and relevance of human rights: it is stated that under unstable social and political conditions it is more important that a government maintains peace and security and prevents armed conflicts, even at the expense of certain individual human rights, because the effect of civil wars, etc., for the people and their standard of living in all respects would be much more disastrous. I think this is a valuable point - a point, however, which cannot end the discussion but must lead to a longer dialogue on the basis of the values both partners share. What are the conclusions and lessons we can draw so far?

Dialogue should precede actions.

If donor-recipient relations are to be based on cooperation and real partnership instead of coercion, changes in the volume of aid should be preceded by an open dialogue. We are bound to intensify the policy dialogue with all partners concerned both on the bilateral and on the multilateral level.

However, one has to take into account the fact that the efficiency of a policy dialogue depends on the political influence and the competence of the partners on both sides. There is an obvious problem concerning both the status of the partners in the political hierarchy of their governments and their sphere of responsibility: how much sense does it make for experts of donor agencies or even high-ranking officials of development ministries to address, e.g., the question of military expenditure with their partners from the ministry of rural development and finance or the national planning bureau in a developing country? Here again, there is an obvious need for coordination and coherence first of all within donor governments. Above all, close cooperation between the ministry for foreign affairs and the ministry or agency for development cooperation is of utmost importance.

Positive measures rather than sanctions.

Donor influence should be directed more toward positive incentives rather than sanctions. This is a conclusion we also draw from our general policy and experience in applying the criteria, i.e., that sanctions should only be the last resort when all other means to achieve development goals have failed.

In addition, positive measures can be a sort of "bridge" towards more coherence among donors. It may be easier to achieve a common policy by cooperating and exchanging experience on positive actions like demobilization, the training of civilians in military and security-related measures, the promotion of legal advisory services, than by attempting to develop, e.g., a detailed concept to which all donors would subscribe.

In conclusion, I think the "German concept" is a step in the right direction. However, I do not dare to claim at this stage that the concept has been implemented to an extent that would finally lead to more efficient development assistance, i.e., a real improvement of the living conditions for the people concerned. We are engaged in an open-ended process, where all parties concerned still have a lot to learn and to carry their respective responsibility.

Bonn, 23 March 1993