

German Development Policy in Latin America and the Caribbean

BMZ regional strategy: What the German government's Strategy Paper Germany, Latin America and the Caribbean means for development policy



TABLE OF CONTENTS

I. Introduction

1. Genesis of the BMZ's regional strategy for Latin America and the Caribbean (LAC)
2. Definition of a strategic framework for German development cooperation with LAC

II. German development policy in LAC: Build on common values, pursue interests, enhance the partnership

1. Values and interests derived from the German government's LAC Strategy Paper
2. Development policy in the German government's LAC Strategy Paper
3. The principles of German development cooperation with LAC

III. Challenges and opportunities in LAC – guidance for development policy

IV. Focus on specific areas of cooperation, interlinkages through cross-cutting issues

1. Overview of the key elements of the German government's LAC Strategy Paper
2. Good governance will continue to be an important area of cooperation
3. Cooperation on resource and climate protection will be expanded
4. New area of cooperation: Sustainable economic development
5. Education and private sector as cross-cutting issues

V. Regional and global development policy in Germany's cooperation with LAC

1. Regionalization and international coordination of development cooperation with LAC
2. Consolidation of regional cooperation on subregional priority issues
3. Cooperation with Global Development Partners and emerging economies in LAC

VI. Partners and relevant players for Germany's development cooperation with LAC

I. INTRODUCTION

1. Genesis of the BMZ's regional strategy for Latin America and the Caribbean (LAC)

- This regional strategy for Latin America and the Caribbean
 - spells out what the **German government's 2010 Strategy Paper Germany, Latin America and the Caribbean** means for development policy;
 - lays down how Germany's development cooperation with the region should conform with **current general policy regarding the substance and form of German development cooperation**, and with **BMZ objectives**;
 - takes forward **successful areas and forms of cooperation** from the 2008 BMZ regional strategy; and
 - takes account of **recent developments** (such as the need to cope with the financial and economic crisis, the increasing multipolarity of international relations, the need to address climate change and decrease of biodiversity and forests, and the fight against organized crime, especially in Central America).
- The present document provides a **strategic framework** for official bilateral cooperation with Germany's partner countries in Latin America and the Caribbean and for thematic and regional cooperation with these and other countries and cooperation partners in the region (see Annex).

I. INTRODUCTION

2. Definition of a strategic framework for German development cooperation with LAC

- By adopting the LAC regional strategy, the BMZ is introducing a **strategic framework** for its work in the region. That framework
 - is a binding guideline for **Germany's official development cooperation** with LAC and for the official implementing agencies that are active there;
 - serves as guidance for **Germany's political foundations, churches and private agencies** that use BMZ budget funds for activities in the region;
 - helps to ensure **coherence** between the policies of **German government** ministries involved in international cooperation;
 - is intended to help achieve transparency, harmonization and division of labor among the **donors** involved in the region, whose number is decreasing; and
 - is to serve as a source of information and basis for debate for the **general public** as well as governmental and nongovernmental institutions, **civil society**, and the **private sector**.
- The regional strategy complements the **country strategies** for cooperation with individual partner countries in LAC and serves as guidance for the further development of these country strategies.

II. GERMAN DEVELOPMENT POLICY IN LAC: BUILD ON COMMON VALUES, PURSUE INTERESTS, ENHANCE THE PARTNERSHIP

1. Values and interests derived from the German government's LAC Strategy Paper

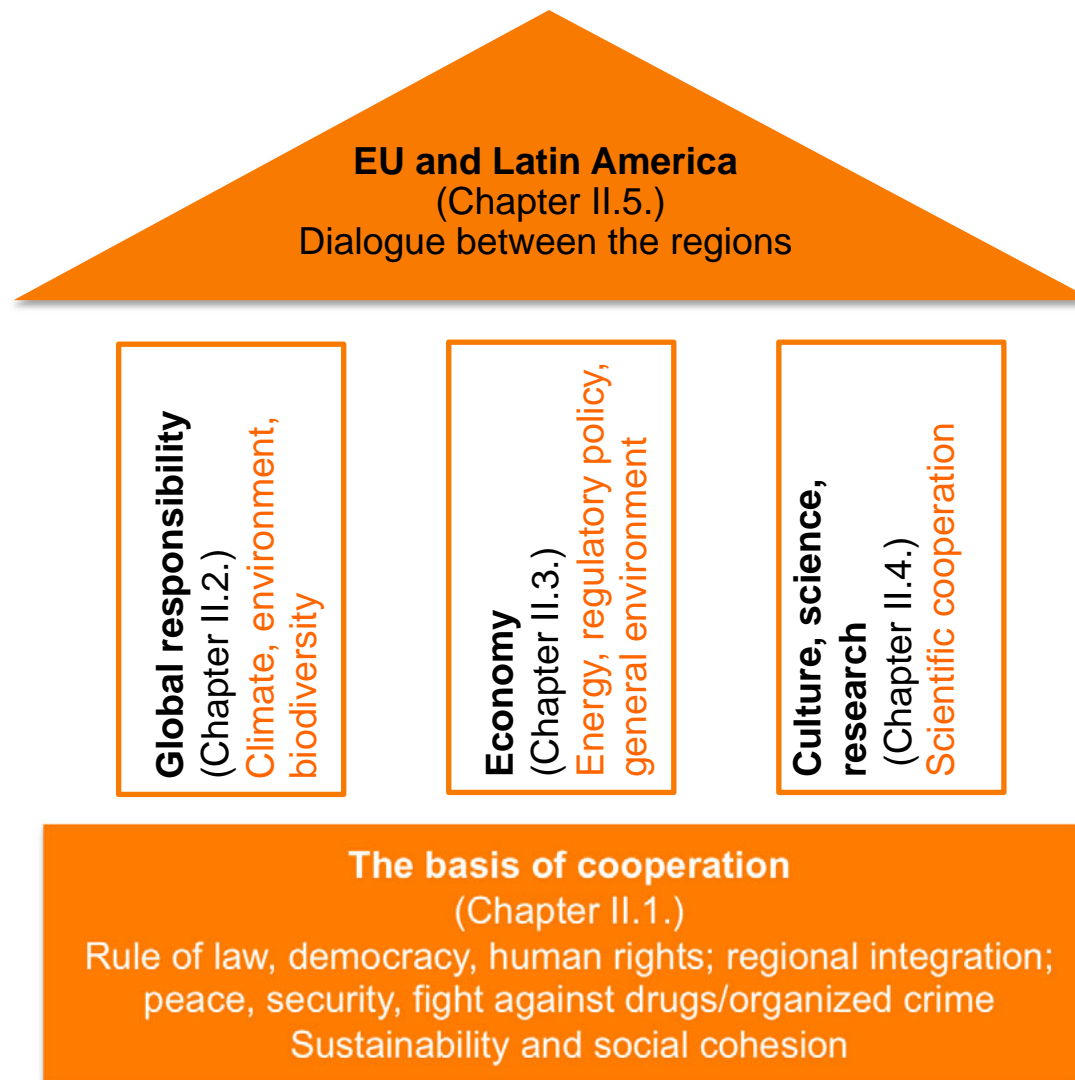
- **Make active use of historical ties and cultural proximity for mutual benefit**
 - Democracy, separation of church and state
 - Individual human rights, freedom and tolerance
 - Commitment to international cooperation, the market system and international trade

- **Jointly pursue interests through global partnerships – for prosperity and sustainable growth; integrity of the natural resource base; peace, stability and security**
 - Strengthen and consolidate the institutional basis of democracy and the rule of law, protect human rights, fight corruption, reduce poverty;
 - Mitigate climate change and its consequences, protect biodiversity and ecosystems;
 - Establish international social and environmental standards, prevent eco-dumping and social dumping, which distorts competition;
 - Foster regional and economic integration and access to markets, reduce trade barriers and agricultural subsidies;
 - Create a reliable environment for investment and business, secure raw materials and energy supply, achieve food security; and
 - Enhance mutual confidence and understanding through cooperation in science, research, education and cultural spheres.

II. GERMAN DEVELOPMENT POLICY IN LAC: BUILD ON COMMON VALUES, PURSUE INTERESTS, ENHANCE THE PARTNERSHIP

2. Development policy in the German government's LAC Strategy Paper

- The German government's LAC Strategy Paper states that good **governance** is the *basis and also the goal* of a stable political and economic partnership between Germany and the region. The Paper refers to many aspects that are already being addressed by Germany's development cooperation with LAC (rule of law, democracy, human rights; tax and fiscal policy; civil society; regional cooperation, etc.).
- Under its *first pillar*, common global responsibility, the Strategy Paper highlights **environmental and climate protection** (including tropical forests and biodiversity) as issues of relevance for development policy.
- Among the issues mentioned under the *second pillar*, **economic opportunities**, it is mainly energy and economic development that are of practical relevance for development cooperation.



II. GERMAN DEVELOPMENT POLICY IN LAC: BUILD ON COMMON VALUES, PURSUE INTERESTS, ENHANCE THE PARTNERSHIP

3. The principles of German development cooperation with LAC

- **In the field of development policy, the German government will apply the following principles in particular as it pursues the values and interests described in its LAC Strategy Paper:**
 - Foster respect for and protection of human rights as a guiding principle, and foster good governance, democracy, and the rule of law;
 - Orient development cooperation with LAC to partner countries' needs and strategies and to achievable results, make use of country systems;
 - Call for pro-development national policies, foster ownership;
 - Make use of comparative strengths within the framework of international division of labor;
 - Implement the Paris/Accra agenda on a country-by-country basis together with partner governments and other donors;
 - Help trigger sustainable, self-sustaining development; identify key players who are able to give direction to political, social and economic change;
 - Continue the development of programs, make use of program-based approaches as appropriate; and
 - Include civil society and the private sector in dialogue and cooperation efforts, both in Germany and on the ground.

III. CHALLENGES AND OPPORTUNITIES IN LAC – GUIDANCE FOR DEVELOPMENT POLICY

Policy areas

Based on the German government's LAC Strategy Paper, a number of challenges and opportunities can be identified that are also vital factors when it comes to defining Germany's development policy in relation to LAC:

Governance, human rights, social cohesion

- Notwithstanding considerable economic growth, LAC continues to be the region with the **greatest income and asset disparity** worldwide. But in many countries, tangible progress has been made, not least thanks to far-sighted economic and social policies. Budgets have been consolidated and debts have been reduced. The global economic and financial crisis has not resulted in any major upheavals.
- Many countries in the region have **democratic** systems, which however continue to enjoy only limited acceptance due to many deficiencies with regard to the rule of law and due to the fact that vast strata of the population are excluded from political and social participation.
- By international comparison, the region now enjoys a high level of external stability. By contrast, many countries' **internal stability** is still threatened by high **risks** due to social conflict, violence and, in some cases, severe institutional deficits.
- There continue to be **human rights** violations in the form of arbitrary denial of participation or of government services. In some countries, there are also restrictions with regard to political and civil rights, especially the freedom of the press. The fundamental principles of the separation of powers are ignored. People often suffer discrimination because of their socio-cultural backgrounds.

III. CHALLENGES AND OPPORTUNITIES IN LAC – GUIDANCE FOR DEVELOPMENT POLICY

Policy areas

- Vulnerable groups, that is, especially **women** (health, education, employment, physical integrity) and members of **indigenous groups** (land rights, education), are often unable to exercise their right to self-determination. In many cases, they lack effective legal protection and opportunities for social, political and economic participation.

Government capacity

- Many countries have too few **fiscal resources of their own** to provide adequate basic public services (education, health, water, energy, security). Moreover, uneven tax systems and deficits in the area of tax collection often further exacerbate social disparity.
- The financial and human resource capacity of **institutions** is often weak and inadequate, especially at the non-central level. Where more advanced legislation exists, it is often not fully implemented and enforced. Corruption continues to be widespread.
- In Central America in particular, organized crime and drug and arms trafficking are a massive challenge to the **state's monopoly on force** and slow down economic development. The subregion's people consider the lack of security their greatest problem.
- **Investment in public infrastructure** has been neglected in the last few decades. There is no nationwide **energy and water supply**. This is especially an issue in rural areas. Nor has urban sanitation been put in place everywhere.

III. CHALLENGES AND OPPORTUNITIES IN LAC – GUIDANCE FOR DEVELOPMENT POLICY

Policy areas

Environment, natural resources, climate change

- LAC has the world's vastest natural resources and is one of the world's **largest tropical forest regions**. Many countries have biodiversity hotspots. However, resource consumption is growing due to economic and population growth, which is posing a threat to these assets.
- In South America in particular, the **exploitation of natural resources** for agricultural, logging or mining purposes is often very profitable. In many cases, such exploitation jeopardizes indigenous people's and local users' livelihoods. And there is nothing in place to ensure that the private and public income from such activities is used for inclusive, sustainable economic growth.
- Moreover, parts of Latin America (Central America, Andean countries) are increasingly affected by **climate change** (droughts, floods, hurricanes), and the region is increasingly contributing to climate change, especially the large emerging economies. Deforestation and the share of fossil energy in the energy mix, which continues to be high, are significant contributors to **carbon emissions**.
- But many of the region's countries are also pioneers in terms of developing innovative approaches and policies in support of national **climate protection goals and forest protection**. There is growing awareness among policymakers and the general public that environmental protection matters and that natural resources have an economic value.

III. CHALLENGES AND OPPORTUNITIES IN LAC – GUIDANCE FOR DEVELOPMENT POLICY

Policy areas

Economy and employment

- The region's **economy is based on raw materials and primary products**. It is not yet sufficiently diversified and continues to be volatile. By international standards, it is not yet productive and competitive enough. It must be noted that the region exports raw materials and agricultural products that are important for Europe, too.
- In many areas, the **legal environment** for economic development needs to be improved, for example with regard to the establishment of new enterprises and the range and quality of financial services available.
- So far, the economic elites have only shouldered limited **social responsibility** with regard to their countries, for example when it comes to compliance with, and further development of, social and environmental standards.
- There is an emerging **middle class**, which helps stimulate domestic demand, but the new middle class is still fragile due to inadequate participation in social protection mechanisms. A major proportion of the region's economic output continues to be generated by the **informal sector**.
- The partial **lack of skilled workers** and the lack of public infrastructure (energy, water, waste management, transport, communication) slow down economic development.
- The availability and range of **financial services** are limited, especially for SMEs and in rural areas.
- Economic activities in the mining, agriculture, livestock and forestry sectors often have negative impacts on **natural resources** of conservation importance and on the traditional environment of indigenous groups.

III. CHALLENGES AND OPPORTUNITIES IN LAC – GUIDANCE FOR DEVELOPMENT POLICY

Policy areas

Education

- Access to **education** is limited, especially in rural regions. It is often due to a lack of education that people are unable to lift themselves out of poverty or improve their social situation. This is especially true for indigenous groups. Basic education is largely universal, but the availability of, and access to, secondary and vocational education is still inadequate in many instances.
- The **quality of education** is often poor, all the way from primary education to higher education, and drop-out rates are high.
- Latin America's population is growing rapidly, and so is the number of young people. In Central America in particular, **young people's lack of (job) prospects** induces them to turn away from the government and society and triggers violence and migration.
- The **higher education** and **vocational education** programs available do not meet the economy's need for skilled labor, neither in terms of quantity nor quality, especially in technology-intensive and innovative industries, such as the energy and environmental sectors. Many young people have no access to specialized or higher education.

III. CHALLENGES AND OPPORTUNITIES IN LAC – GUIDANCE FOR DEVELOPMENT POLICY

Development gaps between countries and subregions

- While the region as a whole is experiencing development progress, there are growing **development gaps between countries and subregions**:
 - Brazil and Mexico, considered "Global Development Partners" by the German government, are gaining increasing influence within the region as well as internationally, thanks to their vast natural resources, their growing economic and political weight, and increased South-South cooperation.
 - In **emerging economies** such as Brazil and Mexico as well as Costa Rica and Chile, there is evidence of an emerging (albeit fragile) middle class. These countries are thus experiencing the same development as, at an earlier point, Argentina and Uruguay.
 - Notwithstanding increasing political polarization, **regional cooperation** in LAC has followed a pragmatic approach. Strong national interests have so far stood in the way of deeper integration. The countries of Central America are faced with greater challenges, especially in terms of precarious security, poverty reduction and economic development, but they have also made visible progress toward closer regional coordination and cooperation. SICA and CARICOM are the most advanced cooperation fora.
 - While Central America continues to be economically and politically dependent on the United States, the **countries of South America** are diversifying their foreign relations in political and economic terms. Other players, for instance China, are beginning to play a bigger role in the region.

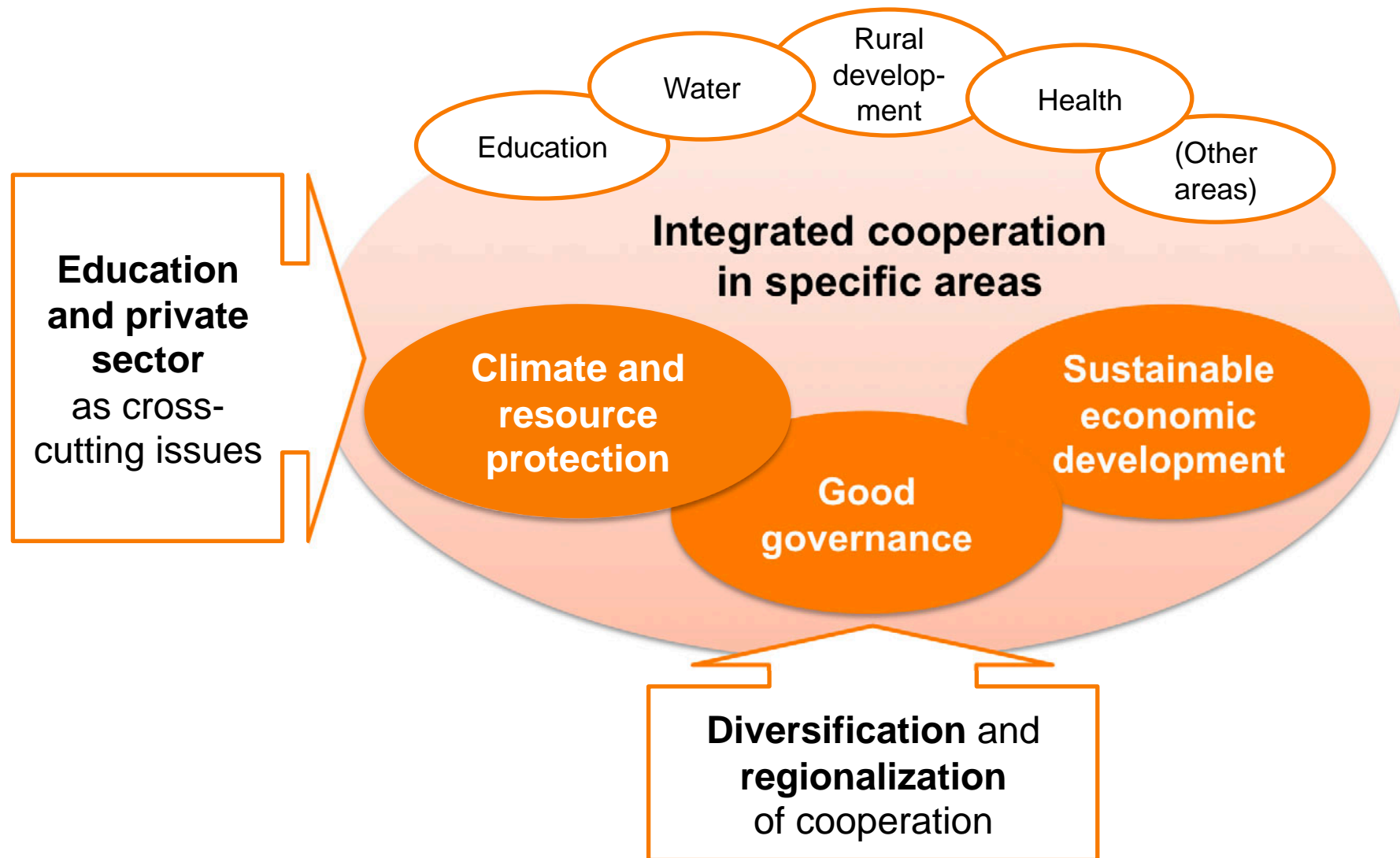
III. CHALLENGES AND OPPORTUNITIES IN LAC – GUIDANCE FOR DEVELOPMENT POLICY

Development gaps between countries and subregions

- Only a few countries have managed to make headway on **poverty reduction** and on the **achievement of the Millennium Development Goals**. However, compared with other regions, LAC has a better track record than Asia and sub-Saharan Africa.
- **Cross-border challenges** in areas such as environmental and climate protection and security policy are increasing, as is intra-regional economic integration and trade.

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

1. Overview of the key elements of the German government's LAC Strategy Paper



IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

1. Overview of the key elements of the German government's LAC Strategy Paper

Rationale for the choice of central areas of development cooperation with LAC

Climate and resource protection

- After many years of cooperation on environmental and energy issues, Germany's development cooperation expertise continues to enjoy great recognition and to be in high demand.
- Germany's development cooperation is intended to reduce the imminent threat to many natural areas and habitats in LAC and to make a substantial contribution toward the implementation of international agreements for the protection of global public goods.
- German enterprises are market leaders in the energy and environment sector. This facilitates broad technology transfer for mutual benefit.

Good governance

- Germany's partnership with LAC is to be deepened on the basis of common values. The region's internal and external stability is to be further enhanced.
- Human rights, the rule of law, economic and social participation and a strong civil society are to be achieved effectively, and on a lasting basis.
- Ownership-based development is to be fostered through socially equitable and transparent mobilization of domestic resources.

Sustainable economic development

- Sustainable economic growth is to be fostered, as it is key to self-determined development that originates from within society.
- Standards and a stable environment for sustainable and free business activities are to be created and disseminated through joint efforts.
- Economic integration is to be increased within the region as well as globally, with Europe and with Germany.

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

2. Good governance will continue to be an important area of cooperation

Objectives: *Eliminate the structural causes of poverty and social inequality; create long-term development opportunities and stability through inclusion and through the strengthening of key institutions and domestic resources; improve the basis for reliable political and economic relations.*

Three areas of intervention:

- Rule of law and democratic checks and balances; legal and justice reform; political and social participation
 - Good financial governance, anti-corruption and tax/budget policy
 - Conflict prevention and transformation, peace building (especially Colombia, Guatemala, Bolivia)
-
- The protection of **human rights** is a guiding principle.
 - Efforts are undertaken to actively reach out to, and involve, **bodies at the non-central level**, especially **municipal and local agencies**, as well as the local **civil society**, and to build their capacity.
 - Targeted efforts are undertaken to actively reach out to, and involve, the **private sector** and to tap its capacity with regard to designing a sustainable environment in partner countries in terms of economic policy, fiscal policy, social policy and the legal framework.

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

2. Good governance will continue to be an important area of cooperation

- In the said **areas of intervention**, attention is to be given to the following aspects in particular:
 - Strengthen **key institutions** for the protection of human rights, transparency, accountability, anti-corruption and protection of the separation of powers (supreme audit institutions, ombudsman's offices, parliaments, national and regional courts, tax administrations), and strengthen such institutions' regional organizations;
 - Improve access to justice and the quality of justice services through **legal and justice reform** and strengthen the participation of marginalized groups, both through bilateral and through regional cooperation;
 - Call for higher levels of **domestic resource generation** through appropriate and socially balanced tax systems and tax collection;
 - Foster the efficiency, transparency and social sustainability of governmental **budget and expenditure policies**;
 - Give special support to groups that are disadvantaged due to their ethnic background (**indigenous people**) and poverty, and to **women** – especially by strengthening their organizational capacity and regional networks; their legal position and enforceability thereof; their political, economic, social and cultural participation; and equality of opportunities;
 - Address the **lack of security**, which is an impediment to development in general – especially through institution-building and through the prevention of violence and conflicts; and
 - Encourage dialogue between government and civil society with a view to fostering **conflict prevention, conflict transformation and peacebuilding**.

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

2. Good governance will continue to be an important area of cooperation

- **Good governance** (especially human rights, democracy, the rule of law, participation, effective and efficient administration, anti-corruption, transparency, creation of a reliable framework, civil society involvement) must also be addressed as a **cross-cutting issue in other areas of cooperation** and in Germany's **policy dialogue** with its partners.

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

3. Cooperation on resource and climate protection will be expanded

Objectives: *Jointly shoulder responsibility for the protection of global goods; support sustainable strategies for the protection and use of natural resources and ensure people's equitable access to such resources; make economic growth ecologically sustainable and reduce the consumption of scarce resources; reduce negative impacts on individuals, society as a whole, and the environment.*

Three **areas of intervention:**

- Protection and sustainable use of biodiversity and natural resources (especially tropical forests and water)
- Renewable energy and energy efficiency
- Industrial environmental protection, environmental standards

- In the said **areas of intervention, attention** is to be given to the following aspects in particular:
 - Preserve the vast **biodiversity** and the **habitats** existing in many of the region's countries;
 - Support **tropical forest protection**, the development of REDD strategies and the political and practical implementation of REDD+ at the national, (sub)regional and international level;
 - Support the protection and management of **nature reserves**, public forests and indigenous territories, taking account of regional planning and land right issues;
 - Regulate the use of **genetic resources** and related access and benefit sharing;

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

3. Cooperation on resource and climate protection will be expanded

- Strengthen sustainable land and resource use, enhance and optimize **value chains** in the agricultural and forestry sectors;
- Base **energy generation** on renewable resources (wind, solar, geothermal, biomass), using high-tech solutions, and reduce dependency on fossil fuels;
- Foster transfer of knowledge and technology as well as cooperation on **energy issues and infrastructure** (e.g., hydropower); foster networking efforts within the region (regional energy networks);
- Reduce **energy consumption** and carbon emissions, enhance the efficiency of energy generation and minimize losses, especially in manufacturing; reduce the **environmental impact** of energy generation and consumption;
- Ensure that there is a sufficient **supply of energy** for households, including in rural areas, and for enterprises;
- Foster **industrial environmental protection**, environmentally sound wastewater and waste management, and compliance with **environmental standards**;
- Support **adaptation to climate change** in Central America and the Andean countries, especially by making changes to (agricultural and other) production systems and water resource management, not least in terms of disaster preparedness;
- Foster **mitigation** of greenhouse gas emissions, especially in large emerging economies;

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

3. Cooperation on resource and climate protection will be expanded

- Preserve **water resources**, especially in view of climate change and urbanization; map and protect watersheds; and
- Realize the human right to **access to, and use of, water**, not least through enhanced infrastructure, improved quality of water and sanitation (protection of human health), equitable tariffs and participation.
- Foster **cross-border and regional cooperation** on environmental and resource protection, especially in Central America and in the Amazon region.
- Educate policymakers and the public about the **macroeconomic value and benefits of natural resources** (ecosystem services).
- **Mainstream** issues related to the conservation and sustainable use of ecosystems **in other sectors**, for example agriculture, forestry and water management.

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

4. New area of cooperation: Sustainable economic development

Objectives: *Improve the environment for qualitative, inclusive growth and for intra-regional trade; develop ecologically sound business models; create a more conducive business environment, especially for SMEs; give people a chance to make choices to lift themselves out of poverty through employment and through opportunities for moving up.*

Potential issues to be addressed:

- General environment for business and employment
 - Further development and implementation of standards for sustainable business activities
 - Financial services, especially for SMEs
 - Vocational education and in-company training, especially for young people
-
- Intensify the dialogue about **economic structural policy and regulatory policy** (e.g., social market economy, free trade, Green Economy, inclusive growth, access and benefit sharing) – also with regional partners such as CEPAL and SICA.
 - Support partners with regard to the practical implementation of **free trade and association agreements** between the region and the EU.
 - Improve the **legal and administrative environment** for entrepreneurial initiative and investment, reduce bureaucracy.

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

4. New area of cooperation: Sustainable economic development

- Expand **intra-regional trade relations**, especially at the (sub)regional level, by harmonizing and simplifying economic, competition and trade regulations.
- Establish **corporate social responsibility (CSR)** more broadly in the region, encourage the private sector to shoulder **social responsibility** and to engage in social dialogue with government.
- Further develop regulations on **employment conditions, social standards** and health and safety; in particular, assist countries in implementing existing national and international standards.
- **Formalize employment**, especially for women, and support social protection systems that help stabilize the middle class.
- Foster **vocational education and in-company training** in line with the needs of the private sector and of young people; ensure that disadvantaged groups, too, have access to quality training.
- Enhance the **entrepreneurial skills** of disadvantaged groups (especially indigenous people) and women.
- Foster private-sector **productivity and innovation**, especially in SMEs (technology transfer, modern management, quality infrastructure).
- Develop **environmental and energy standards** and have enterprises apply them.
- Close gaps in terms of availability of **financial services** and economic advice (e.g., SMEs, rural areas, disadvantaged groups).
- Support effective planning and implementation of investment in **vital public services**; encourage private contributions to public investment and services.
- Support effective use of **raw materials** and transparent utilization of revenue; assist governments and enterprises in handling environment/resource conflicts (mining, agriculture, oil/gas); intensify cooperation with EITI.

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

5. Education and private sector as cross-cutting issues

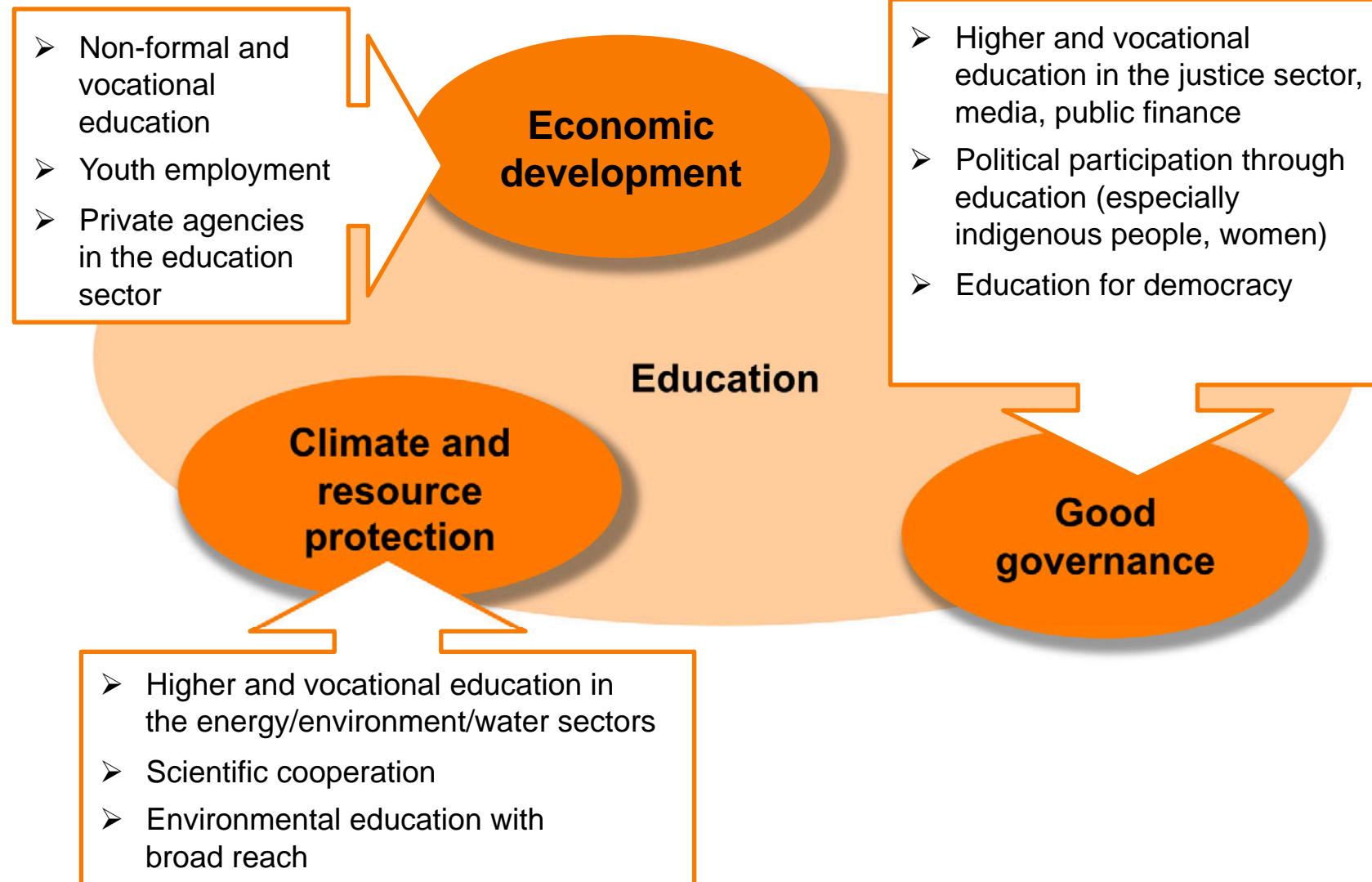
Education as a cross-cutting issue

Objectives: *Make use of the potential that education has to offer for poverty reduction, sustainable economic growth, social development and empowerment, as part of the cooperation areas of good governance, sustainable economic development, and climate/resource protection.*

- **Ways of including education aspects in cooperation areas**
 - Strengthen the focus on higher education and vocational education: Support the development of higher education and vocational education programs, curricula, and education facilities, and support networking among institutions of higher education;
 - Holistic approach: Address training and employment for young people as well as youth violence in an integrated manner;
 - Make more use of training as part of development cooperation programs as well as across programs and countries; and
 - Strengthen informal education.

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

5. Education and private sector as cross-cutting issues



IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

5. Education and private sector as cross-cutting issues

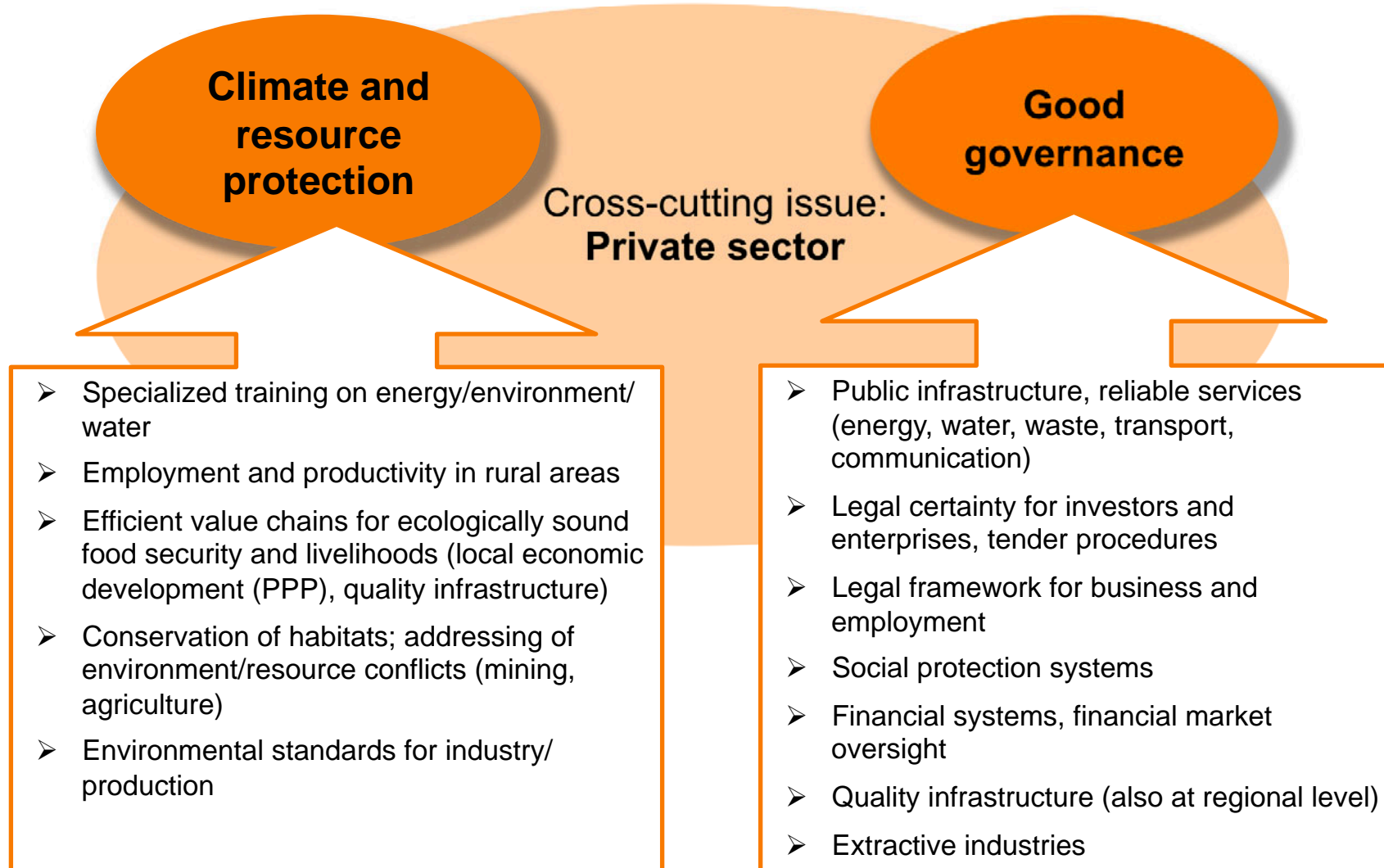
Private sector as a cross-cutting issue

Objectives: *Make use of the potential that sustainable economic development has to offer for poverty reduction, employment, increased competitiveness and sustainable resource use, as part of the cooperation areas of good governance and climate/resource protection.*

- **Ways of including private sector aspects in other cooperation areas**
 - Persuade local businesses and their associations to partner with governments in the form of joint projects, dialogue, and financing;
 - Encourage public-private dialogue, intensify the links between development policy and foreign trade policy;
 - Foster intra-company issues such as CSR and in-company training;
 - Tap the potential for improved productivity and competitiveness through resource-sparing technologies (energy efficiency) and sustainable products (fair trade); and
 - Make greater use of the option to integrate PPP approaches in development programs.

IV. FOCUS ON SPECIFIC AREAS OF COOPERATION, INTERLINKAGES THROUGH CROSS-CUTTING ISSUES

5. Education and private sector as cross-cutting issues



V. REGIONAL AND GLOBAL DEVELOPMENT POLICY IN GERMANY'S COOPERATION WITH LAC

1. Regionalization and international coordination of development cooperation with LAC

Objectives: *Design development cooperation in line with needs and contexts, coordinate with other donors and key regional players; help bring about progress on economic development and political stabilization through regional integration.*

- Where **challenges transcend borders or are of a similar nature in several countries** and/or where **multiple partners** are involved, focused use is to be made of the broad range of tailor-made **forms of regional cooperation** (see slide 30) so as to attain the following goals among others:
 - Increase the visibility and weight of regional forms of cooperation that offer substantial added value;
 - Support existing efforts in LAC to strengthen and institutionalize regional cooperation mechanisms;
 - Foster intra-regional transfer of experience and knowledge as well as South-South cooperation;
 - Support the development of institutional capacity (which is often weak) at regional organizations and agencies; and
 - Link, where appropriate, such activities with bilateral work or use them to complement bilateral work.
- Intensify **strategic partnerships** with CEPAL (in relation to areas of cooperation with LAC) and IDB (especially on energy) with a view to jointly addressing and advancing issues that are of importance for the region.

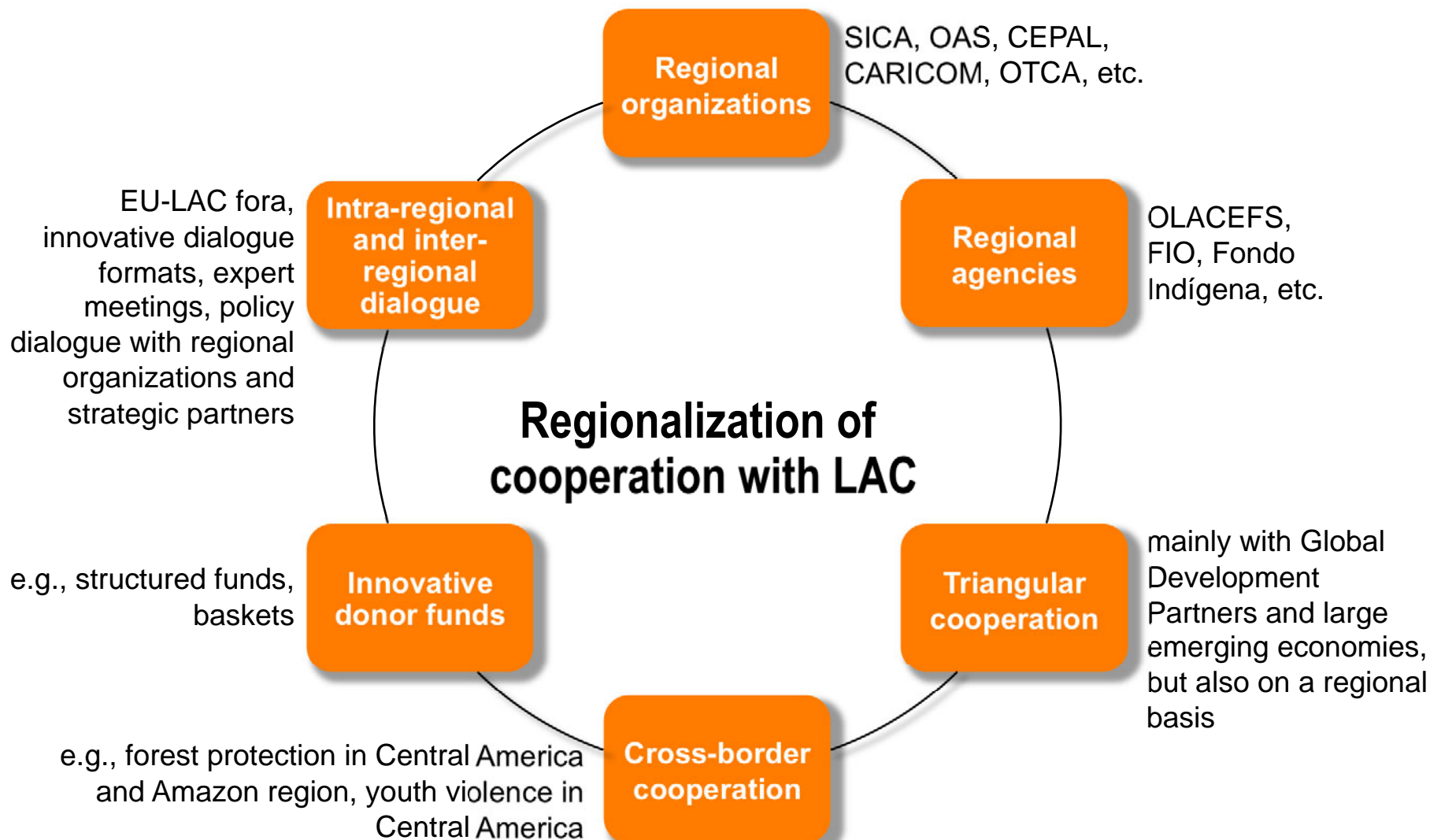
V. REGIONAL AND GLOBAL DEVELOPMENT POLICY IN GERMANY'S COOPERATION WITH LAC

1. Regionalization and international coordination of development cooperation with LAC

- Continue Germany's close cooperation with **key regional players** such as development banks and the EU, so as to
 - jointly shape, on the basis of dialogue, the **international environment** for development (trade and agricultural market issues, security policy, climate protection, biodiversity and forest protection, etc.); and
 - actively voice German interests in the **institutions' strategy formation efforts** and enhance the coherence of mutual activities.
- Undertake efforts on the ground for precise division of labor, coordination and cooperation with **bilateral and multilateral donors** in the region, both at country level and (sub)regional level.

V. REGIONAL AND GLOBAL DEVELOPMENT POLICY IN GERMANY'S COOPERATION WITH LAC

1. Regionalization and international coordination of development cooperation with LAC



V. REGIONAL AND GLOBAL DEVELOPMENT POLICY IN GERMANY'S COOPERATION WITH LAC

2. Consolidation of regional cooperation on subregional priority issues

- In **Central America**, subregional priority areas have emerged as a result of the comparatively high level of regional cooperation:
 - **Sustainable economic development** (SICA/BCIE), especially in the fields of microfinance and SME development;
 - **Energy efficiency and renewable energy** (SICA/BCIE), with a focus on financing large infrastructure projects in the region and energy efficiency in SMEs;
 - **Prevention of youth violence and employment for young people** (countries involved so far are Honduras, Guatemala, and El Salvador) to give Central America's young people job prospects in an environment marked by lack of security; and
 - **Environmental and resource protection** (SICA/CCAD) with a focus on preserving the Mesoamerican Biological Corridor.
- Cooperation with the **Caribbean** is to be continued at the subregional level with CARICOM as a partner, addressing the following areas:
 - **Environmental and resource protection**, including marine biodiversity;
 - **Energy efficiency and renewable energy**; and
 - **Health (HIV/AIDS control and prevention)**.
- The following issues are also well-suited for **regional approaches at the LAC level** within the framework of cooperation in the areas defined above: Regional economic and political integration, tax and fiscal policy, tropical forest and resource protection, indigenous rights and participation, gender and women's rights.

V. REGIONAL AND GLOBAL DEVELOPMENT POLICY IN GERMANY'S COOPERATION WITH LAC

3. Cooperation with Global Development Partners and emerging economies in LAC

- Germany's cooperation with Brazil and Mexico is guided by the **BMZ's strategy for cooperation with "Global Development Partners"**:
 - Strategic **development partnership** based on common interest in addressing global and regional challenges;
 - Support for Global Development Partners as they increasingly shoulder **regional and global responsibility**; and
 - **Poverty reduction** and **social cohesion** now largely the responsibility of the Global Development Partners themselves.
- **Areas of cooperation with Global Development Partners Brazil and Mexico:**
 - **Environmental and climate protection** (energy, biodiversity, tropical forest protection, (industrial) environmental protection), which is a matter of common and global interest;
 - Support for the development of **national development agencies**;
 - **Triangular and scientific cooperation** within the region and internationally; and
 - The two countries are partners for **intra-regional and inter-regional dialogue**, for example on the global trade and finance architecture, promotion of foreign direct investment, and labor and social standards – also within the EU-LAC framework.
- Germany is also continuing its cooperation with Chile and Costa Rica on a regional and thematic basis:
 - Cooperation is guided by the directives and cooperation areas laid down for development cooperation with Global Development Partners Brazil and Mexico.

V. REGIONAL AND GLOBAL DEVELOPMENT POLICY IN GERMANY'S COOPERATION WITH LAC

3. Cooperation with Global Development Partners and emerging economies in LAC

- **Cooperation with Global Development Partners and emerging economies in LAC will be deepened:**
 - Focus policy dialogue on **sector issues** and **international processes** (especially environmental and climate protection, but also development policy positions, for instance within the UN and the G-20), **technology policy, scientific cooperation**;
 - Financial Cooperation: financing of innovative technologies and, increasingly, resource protection at **near-market terms**;
 - Technical Cooperation: focus on **highly specialized**, technology-oriented and structural advice; intensive use of short-term experts and Integrated Experts; dialogue and expert meetings;
 - Provide specific German know-how in line with Germany's **economic interests**;
 - Further intensify interaction with **other German federal ministries** (especially environmental policy, scientific cooperation, security policy), research institutions, chambers of commerce; and
 - Development cooperation with Global Development Partners Brazil and Mexico is an important contribution toward the achievement of **ODA targets**.

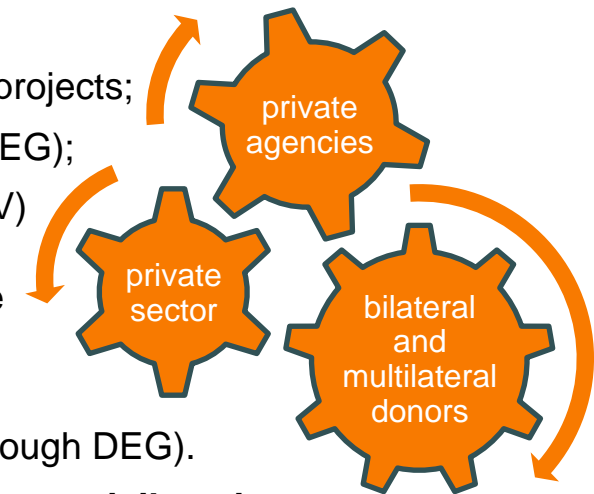
VI. Partners and relevant players for Germany's development cooperation with LAC

Private sector and civil society; German federal ministries; third parties

The BMZ wants to make official development cooperation with LAC **even more effective and visible, working together with other players.**

- Intensify cooperation with **Germany's private sector:**

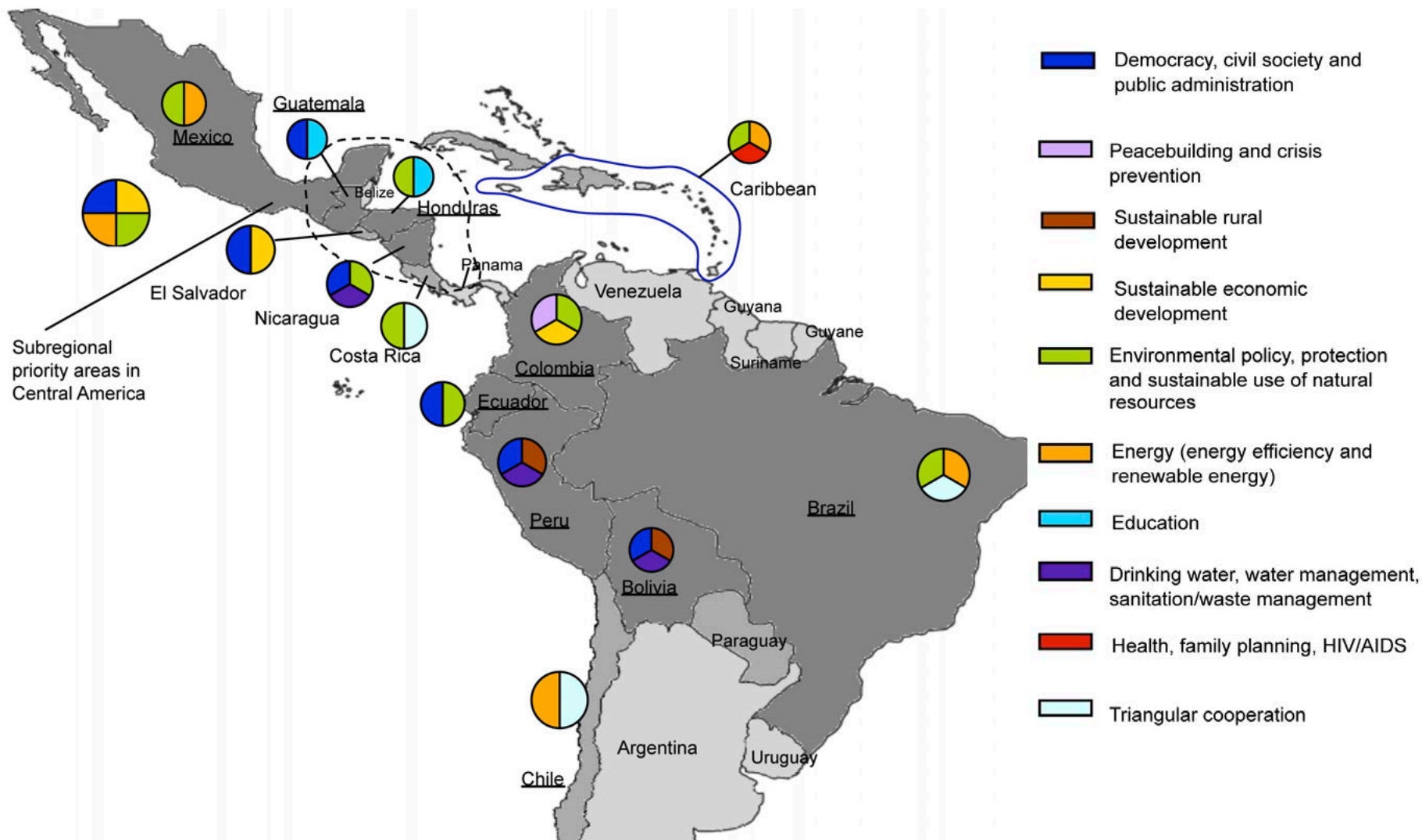
- Mobilize private investment for innovative development cooperation projects;
- Make active use of specific tools (develoPPP, financing of studies (DEG));
- Intensify dialogue with business associations (especially LAI and LAV) and chambers of industry and commerce in Germany (secondment of "development cooperation scouts" to these institutions) and on the ground (secondment of GIZ (CIM) staff to German chambers of commerce abroad); and
- Mobilize enterprises, especially SMEs, to get involved (especially through DEG).



- Intensify the dialogue, both within Germany and on the ground, with German **civil society** organizations (churches, private agencies), **political foundations**, and **Deutsche Welle** on the political, economic and social situation in the countries in question; develop a continuous exchange of information and dialogue.
- Continue to work for mutual exchange of information and coordination, on a regular basis, with other German **federal ministries** with activities in the region (especially AA, BMU, BMBF, BMWi) so as to ensure coherent external actions by the German government.
- Mobilize **complementary activities by third parties:** Silent partnerships, delegated cooperation, development loans and promotional loans, PPP, (structured) funds, other private resources from the private sector and civil society (foundations and the like).

ANNEX

I. Current bilateral and (sub)regional priority areas of development cooperation with LAC



II. Cooperation partners of German development cooperation with Latin America and the Caribbean

Countries and regions with which Germany is engaged in development cooperation

Bolivia
Brazil
Caribbean
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Haiti
Honduras
Mexico
Nicaragua
Paraguay
Peru

Regional cooperation partners of German development cooperation

BCIE, CAF, CAN, CARICOM, CCAD, CEPAL, CTPT, FIO, Fondo Indígena, Mercosur, OAS, OLACEFS, OTCA, SICA

ANNEX

III. Abbreviations

AA	Federal Foreign Office	CEPAL	Comisión Económica para América Latina y el Caribe (Economic Commission for Latin America and the Caribbean, ECLAC)
BCIE	Banco Centroamericano de Integración Económica (Central American Bank for Economic Integration, CABEL)	CIM	Centrum für internationale Migration und Entwicklung (International Centre for Migration and Development)
BMBF	Federal Ministry of Education and Research	CSR	Corporate Social Responsibility
BMU	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	CTPT	Comisión Trinacional del Plan Trifinio (Trinational Commission for the Trifinio Plan)
BMWi	Federal Ministry of Economics and Technology	DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH (German Investment and Development Company)
BMZ	Federal Ministry for Economic Cooperation and Development	EITI	Extractive Industries Transparency Initiative
CAF	Corporación Andina de Fomento (Andean Development Corporation, ADC)	EU	European Union
CAN	Comunidad Andina de Naciones (Andean Community)	FIO	Federación Iberoamericana del Ombudsman Fondo IndígenaEl Fondo para el Desarrollo de los Pueblos Indígenas de América Latina y El Caribe
CARICOM	Caribbean CommunityCCADComisión Centroamericana de Ambiente y Desarrollo (Central American Commission for Environment and Development)	GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit

ANNEX

III. Abbreviations

IDB	Inter-American Development Bank
LAC	Latin America and the CaribbeanLAIInstitute for Latin American Studies, Berlin
LAV	Lateinamerika-Verein ([German] Business Association for Latin America)MercosurMercado Común del Sur (Common Market of the South)
OAS	Organization of American States
ODA	official development assistance
OLACEFS	Organización Latinoamericana y del Caribe de Entidades Fiscalizadoras Superiores (Organization of Latin American and Caribbean Supreme Audit Institutions)
OTCA	Organización del Tratado de Cooperación Amazónica (Amazon Cooperation Treaty Organization, ACTO)
PPP	public-private partnership
REDD	Reducing Emissions from Deforestation and Degradation
SICA	Sistema de la Integración Centroamericana (Central American Integration System)
SMEs	small and medium-sized enterprises

Published by the
Federal Ministry for Economic Cooperation and Development (BMZ),
Division for development education and information

Edited by the
BMZ, Regional development policy: Central America; Caribbean

As at
September 2011

Addresses of the BMZ offices

BMZ Bonn
Dahlmannstraße 4
53113 Bonn
Germany
Tel. +49 (0) 228 99 535 - 0
Fax +49 (0) 228 99 535 - 3500

BMZ Berlin | im Europahaus
Stresemannstraße 94
10963 Berlin
Germany
Tel. +49 (0) 30 18 535 - 0
Fax +49 (0) 30 18 535 - 2501

poststelle@bmz.bund.de
www.bmz.de