Good Governance in Practice

Approaches and examples from development practice
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Good governance is the foundation on which a society is built, and thus it is indispensable for the development of a country. If justice systems do not work, if public administration is inefficient and intransparent, or if a government disregards human rights, these are things that undermine the very footings of a society. For that reason, promoting good governance has been a priority and a cross-cutting task of German development policy for many years.

When German development policy mentions good governance, it means that policies are designed to be pro-poor and sustainable; human rights are respected, protected and fulfilled; democracy and the rule of law prevail; the state works effectively and transparently; and the country plays a cooperative role in the international community. The agreements with our partner countries are not geared towards their state institutions alone, but rather encourage them to shape their tasks in participation by involving citizens and civil society organisations. So participation, a voice for the public, and democratic checks and controls – by means of traditional or new social media, for example – are important objectives in the cooperation agreements that we reach with our partners.

Good governance is the second most important priority area agreed by Germany with its partner countries. This shows how much it matters to Germany to support partner countries along the path to good governance. Good governance helps to develop the entirety of a society’s potential. Every step that reduces poverty and provides opportunities for development, especially targeted at women and children, is a step that fosters sustainable economic growth. Of course, business and industry must also accept the rules of good governance and take ownership of them. The German government’s understanding of good governance therefore includes anti-corruption, sparing and transparent use of resources, and sustainable economic development.

Pursuing the path to good governance is often a difficult and protracted undertaking. But there is no acceptable alternative. The great versatility of Germany’s commitment today is demonstrated in this fact sheet collection.

Dirk Niebel
Federal Minister for Economic Cooperation and Development
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Good governance in practice: Fact sheets on the promotion of good governance in German development cooperation

Good governance is one of the most important prerequisites for the development of a country. Development and prosperity are not possible under conditions of legal insecurity, disregard for human rights, poorly functioning administration and corruption. German development policy has therefore supported good governance for many years on the basis of a comprehensive understanding of the concept.

After sustainable economic development, good governance is the second most frequent priority area of German development policy. The German Federal Ministry for Economic Cooperation and Development (BMZ) has agreed democracy, civil society and public administration as a support priority with around two thirds of its partner countries.

Apart from good governance in the sense of exercising state power responsibly, the concept also encompasses democratic involvement, civil society participation and the rule of law. The goal of cooperation is not just economic but also social and democratic development in the partner countries. Examples like Ghana, Tanzania, Botswana or Brazil show that good governance can bring about successful long-term development.

In the special publication “Good governance in practice – Fact sheets on the promotion of good governance in German development cooperation” the BMZ presents a comprehensive introduction to its main themes and conceptual approaches in the sphere of good governance. The brochure is addressed to policy-makers and practitioners working in development cooperation and to a wider readership with a general or specialist interest in the subject.

In addition to background texts setting the development policy methods and approaches in their context, the BMZ has compiled nine fact sheets in which it presents its priorities and explains them with examples from projects implemented in practice by German development cooperation in the partner countries. These priorities are: media promotion in the context of democracy building, law and justice, decentralisation and local self-government, human rights and gender equality, good financial governance, resource governance, anti-corruption and integrity, and sustainable economic development.

Over past decades of development, good governance has developed into an established international concept that has become synonymous with an enabling environment for development in which to tackle poverty and secure lasting peace. In German development policy, good governance means that state actors and institutions strive in cooperation with non-state actors to fulfil the following criteria:

- Pro-poor and sustainable policy design
- Respect for, protection and fulfilment of all human rights
- Democracy and the rule of law
- Efficiency and transparency of the state
- Cooperative stance within the international community.

The special publication “Good governance in practice – Fact sheets on the promotion of good governance in German development cooperation” is available via the BMZ website (www.bmz.de).
Introduction

Good governance is one of the most important prerequisites for a country’s development. Development and prosperity are not possible under conditions of legal insecurity, disregard for human rights, poorly functioning administration and corruption. German development policy therefore operates on the basis of a comprehensive strategy to support good governance. Apart from good governance in the sense of exercising state power responsibly, the concept also encompasses democratic involvement, civil society participation and the rule of law. The goal of cooperation is not just economic but also social and democratic development.

The United Nations Secretary-General’s report of 2010 entitled Keeping the Promise places a clear emphasis on the importance of good governance for more rapid achievement of the Millennium Development Goals (MDGs). The findings of the UN report speak for themselves: the higher the standards of governance in a country and the development orientation of partner governments, the more quickly the Millennium Development Goals can be achieved.

The German Federal Ministry for Economic Cooperation and Development (BMZ) promotes good governance in numerous fields of action with a variety of different instruments. In Germany’s partner countries, the BMZ supports state institutions like parliaments, ministries or municipal administrations as well as civil society and media organisations.

By the collective efforts of all actors it is possible to bring about good governance in partner countries and to anchor it on a lasting basis in those states and societies. Examples like Ghana, Tanzania, Botswana or Brazil show that successful long-term development can be achieved through good governance.

The present publication aims to give a compact overview of the main themes and conceptual approaches in the sphere of good governance, and to share the concrete experience gained from putting them into practice in the partner countries. It is addressed to policy-makers and practitioners working in development cooperation but also to a wider readership with a general or specialist interest in the subject.

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1 “Countries can accelerate progress by adhering to the fundamental norms and values of the Millennium Declaration, including human rights, gender equality and democratic governance.” Further information: http://www.un.org/millenniumgoals/reports.shtml
The development policy understanding of good governance

In the year 2000, the international community signed up to the United Nations Millennium Declaration which acknowledged the importance of good governance as a key factor in the global fight against poverty. This was reaffirmed at the MDG Summit in New York in September 2010 and enshrined in the outcome document.

The BMZ development policy strategy

Minds for Change – Enhancing Opportunities views the capability of people in developing countries to shape their own future by their own efforts as an essential prerequisite for combating the causes of poverty. The BMZ makes the strengthening of these capabilities central to its work. For that reason, human rights, democracy and the rule of law, good governance, market orientation, the strengthening of civil society, entrepreneurship and innovativeness are also guiding principles of the development policy strategy and important levers for reducing structural poverty.

In recent years the national and international policy agenda has been strongly influenced by dealing with fragile states. The BMZ development policy strategy therefore lists engagement in fragile contexts as one of five key areas of sustainable development. The adoption of the New Deal for International Engagement in Fragile States in Busan in December 2011 is especially relevant at international level. The Busan Declarations emphasise how important it is to overcome state fragility and violence to achieve development policy goals. Strengthening states and safeguarding peace calls for integrated approaches involving many spheres of policy.

Over past decades of development, good governance has developed into an established international concept meaning an enabling environment for development in which to tackle poverty and secure lasting peace. Progress is not a matter of economic advancement alone. Today it is widely understood that weak governments, arbitrary legal and judicial systems, repression of civil society, gender-specific discrimination, poorly functioning administrations and corruption and violence are obstacles to development. Given uncertain conditions in the global economy, these structural shortcomings and social disparities harbour considerable risks for regional and international stability.

The Federal Ministry for Economic Cooperation and Development bases its work on a comprehensive vision of good governance. Governance refers to the way in which a state makes decisions and formulates and implements policy content. In German development policy, good governance means that state actors and institutions strive earnestly alongside non-state actors to fulfil the following criteria:

- Pro-poor and sustainable policy design
- Respect for, protection and fulfilment of all human rights
- Democracy and the rule of law
- Efficiency and transparency of the state
- Cooperative stance within the international community
Important fields of action

The promotion of good governance takes place in various fields of action, at different levels and with a range of state and civil-society partners. The BMZ considers the following to be important fields of action:

- Respecting, protecting and fulfilling all human rights (the state’s threefold obligation)
- Democracy, rule of law and media promotion
- Gender equality
- Administrative reform and decentralisation
- Good financial governance, transparency in the extractive industries and anti-corruption.

The BMZ has agreed “Democracy, civil society and public administration” as a support priority with around two thirds of its partner countries. Thus, after sustainable economic development, good governance is the second most frequent priority area of German development policy.

In promoting good governance, the German government is guided by the following development policy standards and principles: 1

- Strengthening country ownership of good governance
- Conducting a continuous, long-term policy dialogue
- Promoting the state and civil society
- Taking local realities rather than blueprints as a starting point
- Mainstreaming governance across all sectors.

The goal in designing and implementing development policy measures is actively to promote good governance in the priority area and in all sectors. To this end, we work to bring human-rights-based values and principles such as non-discrimination, transparency, political participation and accountability more systematically into the policy dialogue with the partner country. Coherent and coordinated action by the donor countries helps to boost the impact of these approaches.

Important preconditions for successful development cooperation are the partner countries’ ownership of the development process as well as effective structures and partner systems in these countries. International agreements on the strengthening and use of partner systems are contained in the Paris Declaration on Development Effectiveness (2005), the Accra Agenda for Action (2008) and the Busan Partnership for Effective Development Cooperation (2011), 2 making explicit mention of the following partner systems: public finances, procurement, monitoring and evaluation systems as well as inspection procedures in the areas of environmental and social standards. The term “partner systems” refers both to institutions in the given country and to its legal and administrative procedures within the thematic areas mentioned.

Ultimately the debate about international development effectiveness is concerned with improving the capacity of partner countries such that they can independently plan, steer and implement their policies, strategies, resources and external financial inputs and apply development-oriented and pro-poor standards. The international debate on strengthening and utilising partner systems has to be seen against this backdrop. It turns on reinforcing national ownership and intra-state accountability, boosting efficiency by dismantling duplicate structures, incorporating donor contributions more effectively into partners’ programmes, improving capacities and ultimately the sustainability of donor-supported development programmes. Better national systems increase the efficiency with which financial resources are deployed, thereby improving the quality of state services.

Since development policy cooperates with a broad spectrum of different partner countries, a differentiated approach that takes account of the specific context is necessary. Particularly in countries in which the partners’ systems are still weak, it is important to strengthen state structures, not least in order to increase the effectiveness of cooperation. This applies primarily to low income countries and to states that are fragile or affected by conflicts. Promoting good governance in each different country’s context is therefore a particular challenge. It is crucial to adopt an integrated approach to both dialogue and concrete planning with partner countries, taking account of informal forces of reform and obstruction, traditional structures and value-creation chains.

Equally, it is important to integrate principles of good governance in programmes in other sectors such as health, water and education. Projects and programmes that strengthen forces for reform and implement transparent, gender-sensitive measures in development cooperation – in the water sector, for instance – may stimulate wider-ranging reforms to governance even in partner countries in which the partner government and its bilateral development cooperation counterparts have not agreed an explicit programme on governance within the priority area of “Democracy, civil society and public administration”. In this way, many sectoral programmes make an important contribution to introducing and driving forward political reform processes in partner countries.

Regional approaches

In its development cooperation with the countries of Latin America and the Caribbean, the German government continues to prioritise democracy, the rule of law and political participation within the following fields of action:

- Strengthening the rule of law, democratic checks and controls, and political participation
- Responsible governance in the sphere of public finances (good financial governance) as well as support for and monitoring of poverty reduction strategies
- Crisis prevention, conflict management and peace building (a cross-cutting theme), fostering dialogue between the state and civil society.

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1 See BMZ Strategies 178 Promotion of Good Governance in German Development Policy 2009.
The twin-track approach

German development policy takes a “twin-track” approach to promoting good governance. The idea is to enhance governance quality on the one hand by carrying out specific projects designed to promote governance reform with regard to the rule of law, human rights, good financial governance and administrative reform. In parallel, governance approaches are mainstreamed within other, strategically important fields of development policy such as water or education. The aim is that the two strands – sectoral reform and non-sectoral governance reform – should intermesh with and complement each other. Implementing good governance thus becomes a key factor in efforts to improve development effectiveness.

A particular priority is placed on the themes of (youth) violence prevention in Central America and fiscal policy approaches for boosting countries’ own resources. In each country German development policy wants to help intensify the dialogue between the state and civil society.3

In Asia German development policy supports projects to promote transparency and the rule of law, to tackle corruption, to upgrade government and administration skills, and to enforce the state monopoly on the use of force. The BMZ strategy paper on German development policy in Asia defines good governance in Asia as a cross-cutting theme in all sectors. Improving governance is one of German development policy’s key fields of action in many Asian countries, with a view to reinforcing the people’s confidence in the functionality of state structures.

Good governance is a pivotal element in Germany’s cooperation with countries in Africa. For that reason, Germany prioritises improving governance and regional work to bring about peace and security. Supporting the effectiveness and legitimacy of state action – transparency, accountability, and citizen and civil society participation – are the main focuses for improving governance in Africa.

In the context of good governance, three fields of action have been agreed with African partners:

– Supporting the political design of decentralisation processes
– Supporting national, sub-regional and regional reform processes in Africa
– Supporting sub-regional and regional approaches in the peace and security sector.

Regional initiatives in Africa

Good governance is also a key field of action in Germany’s cooperation with regional initiatives in Africa. One example is the African Peer Review Mechanism (APRM) that came into being in 2001. The APRM was set up as a voluntary system of reciprocal evaluation. It analyses the governance situation in a country, identifies suitable strategies for improvement and facilitates exchange on successful models within the African regional context. Reciprocal assessments focus on evaluating performance and progress in the sphere of democracy and good governance. 31 countries have already joined the APRM which is organised under the auspices of the African Union (AU).

Germany supports the development of pan-African institutions that help to shape reform processes on that continent within the framework of the AU. Apart from the Pan African Parliament (PAP) and the office for the New Partnership for Africa’s Development (NEPAD) it supports the APRM office and the countries participating in the peer review. In this way the German Federal Ministry for Economic Cooperation and Development promotes constructive exchange on good governance issues. The participating states engage in discussions both among themselves and with civil society and private sector actors at national and pan-African level.

3 BMZ Strategy Paper 11/2011 German Development Policy in Latin America and the Caribbean
Good governance in practice: Fields of action for German development policy – Constructive relations between state and society

Political participation is an essential element in the promotion of democracy, state development and good governance. States can only become effective and resilient in the long term if their policy-makers enter into constructive dialogue with society. To allow political participation to generate a sustained effect on the development process, it is necessary for state institutions and structures to embody transparency, accountability and legitimacy. German development policy therefore aims to promote constructive relations between the state, its citizens and organised civil society.

Political participation means that all forces in society are involved in policy-making processes on an equal footing. The aim is not to involve every single citizen in every policy-making process. The concern is rather to enable discrimination-free, equitable and representative participation of the greatest possible number of diverse interests, especially the interests of disadvantaged or marginalised social groups. Special importance attaches to the role of organised civil society in this regard. An active civil society must be kept informed of political decisions, involved in the decision-making process, and in a position to exercise a critical control function.

The legitimacy of state action is not confined to formal elections. Other important aspects are constant feedback and negotiation processes with citizens and civil society through inclusive political processes informed by rule-of-law principles. Governments earn legitimacy by providing state services effectively and even-handedly.

In many partner countries, traditional ideas about rulership are far from forgotten. Therefore the question as to a government’s legitimacy must always take account of these undercurrents. Local norms and traditional authorities are often deeply rooted in society and matter greatly to the population. Development policy must find its own footing in this diversity and look for ways of making connections with aspects conducive to development.

Another core element of a constructive relationship between state and society is accountability. Internally states are subject to financial and democratic accountability, which is an important instrument for the democratic control of political power. Democratic accountability encompasses not only the relationship between state organs within the framework of the separation and control of powers, but also the relationship between citizens, on the one hand, and the state on the other.1

**Fields of action for German development cooperation**

German development policy fosters political participation and constructive state-society relations in three areas:

- strengthening civil society
- improving state effectiveness
- firm anchoring of enabling legal and institutional conditions.2

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1 The BMZ Strategy Promotion of Good Governance in German Development Policy (2009) reflects the broad understanding of state accountability that spans the transparency, legitimacy and accountability of state action in all policy areas.

2 This multidimensional approach is set out at length in BMZ Special 168 Promoting Resilient States and Constructive State-Society Relations – Legitimacy, Transparency and Accountability (2009).
Civil society actors are supported in articulating their interests and expressing these effectively in political negotiation and decision-making processes. This often takes place at local government level where the thresholds for participation are relatively low and direct negotiation processes between citizens and local politicians can take place. One challenge is the legitimacy of civil society. Existing democratic structures should not be undermined by parallel structures. To ensure that even weaker groups have the opportunity to contribute, influential and powerful stakeholder groups must not be allowed to dominate the process. Another pitfall to be avoided is that of civil society groups aligning their priorities to those of donors.

A further aim is therefore to strengthen the state’s capability to deliver accessible, basic social services and to perform core state functions for all of its people. Policy-makers and staff of the public administration should be supported to organise policy-making processes in such a way that civil society at national and decentralised level can participate actively and constructively – for instance, by institutionalising participation mechanisms such as round tables and dialogue platforms. These are forums where representatives of the state and society exchange views and negotiate their interests and expectations.

Enabling legal and institutional frameworks such as institutionalised democratic procedures and rule-of-law structures are important preconditions for active political participation. German development cooperation promotes legally legitimated participation rights, the establishment of appropriate participation procedures and the implementation of complaint and control mechanisms (ombudsmen’s offices).

**Bolivia:**
**Strengthening civil society and promoting democracy and decentralisation**

The weakness of state structures at national and decentralised level numbers among Bolivia’s most serious problems. Therefore the BMZ is assisting the Bolivian government, via an advisory programme carried out by Deutsche Gesellschaft für International Zusammenarbeit (GIZ), with increasing the efficiency, transparency and responsiveness of the public administration. Through its advisory work for the constitutional assembly, German development cooperation has helped state actors to drive forward the process of state reform cooperatively and with the participation of civil society. At the same time, Germany supports civil society organisations in their efforts to uphold the rights of marginalised groups. Advice provided to organisations helps them to put forward sound arguments for their interests in negotiation and decision-making processes. German bilateral development cooperation pursues the complementary approaches of financial, technical and human resources cooperation in order to strengthen the municipal level of administration and local civil society at the same time.

Further information:

- [BMZ study on the promotion of intra-state accountability in German development cooperation](http://www.ecdpm.org/)
Good governance in practice: Fields of action for German development policy – Media promotion in the context of democracy building

Free and independent media, a diverse and pluralist media landscape, freedom of opinion and freedom of the press are essential components of a functioning democracy. The media play a key role in democracy as an element of checks and balances, and can help in the assertion and promotion of human rights. Press freedom enables a diversity of opinion and freedom of opinion as well as free access to information. It promotes a culture of political pluralism and social dialogue and is thus a critical prerequisite for an informed, critical and vigilant civil society, and for the empowerment and participation of all sections of society in the political process. Furthermore, a free media landscape fulfils an important democratic watchdog function if, for instance, state actors break laws or infringe human rights. By giving publicity to economic or social shortcomings the media contribute to democracy and good governance. Beyond this, the media are used as a targeted channel for the instruction of citizens and the delivery of educational content. They are also one of society’s instruments for exerting political influence. If they are to fulfil this social function, media professionals must master the principles of independent journalism and be equipped to fulfil their social and ethical responsibility.

The traditional media such as newspapers, radio and television are complemented by online media and, in an increasingly vocal role, social media – which strongly made their mark as a force for participation, dialogue and transparency during the upheavals in the Arab world in the spring of 2011. Thanks to these new technologies, it is now easier than ever for citizens to step out of the passive role of media consumers, to activate themselves and thus switch from the role of message-recipient to message-sender. Social media also serve as an important information source in countries in which the freedom of the traditional press is heavily restricted. In these countries they can contribute to better mobilisation and organisation of protests and to the documentation of human rights abuses. The decentralised structure of the social media, in particular, encourages an open society and creates digital spaces in which political discourses can be worked through and the human rights situation presented from a civil society perspective.

Fields of action and support approaches for development policy

Germany supports the development of free and pluralist media, the development of an independent and effective media sector in developing countries (media development) and the targeted use of media for communication in all fields of development policy (development communication).
**Tajikistan:**

Self-regulation of the media as a basis for independence

In cooperation with the Organization for Security and Co-operation in Europe (OSCE), DW Akademie supported media professionals in drafting and ratifying their own binding code of media ethics, which was adopted in Dushanbe (Tajikistan) in 2009. Advised by DW Akademie media rights experts, Tajik delegates subsequently drew up a complaints code and a possible structure for a press council. The project contributes substantially to the establishment of regulatory authorities, which are indispensable in the context of the accountability of policy actors, in order to ensure that media reporting is independent.

Promotion covers the following fields of action:

1. Improving the enabling political, legal and economic frameworks so that a free and economically independent media landscape can develop
2. Establishing and strengthening independent media structures and actors, organisational development and consulting
3. Professional training and continuing education of media professionals to equip them for exercising journalistic ethics and social responsibility
4. Access to information and communications technology for the whole population
5. Human rights education and the involvement of civil society in policy-making and implementation processes through the use of grassroots media to support access for ethnic or linguistic minorities and particularly disadvantaged population groups
6. Enhancing the media skills of media consumers.

The Deutsche Welle Akademie (DW Akademie) is the most important German player involved in promotion of the media and carries out over 250 strategic media projects per year in multilateral and bilateral cooperation arrangements worldwide. DW Akademie is experienced in cooperating with state, national, private-sector and local media, and has a firm grounding in change management, strategic and organisational development, and policy advice on regulatory issues in the media sector. It also cooperates with universities and with local and regional educational and training establishments. Target groups of DW Akademie’s work are executives, media policy-makers and journalists from traditional media, but also online journalists, bloggers and citizen reporters. DW Akademie has cooperation offices in numerous countries including Georgia, Zimbabwe, Myanmar, Tunisia, Namibia, Ghana; Bolivia, Guatemala, Ecuador and Colombia.

Beyond this the BMZ supports other actors such as political foundations and church aid agencies. In the bilateral programmes carried out by GIZ and KfW Entwicklungsbank, development communication is integral to cooperation with the local partners. Projects are also implemented using e-learning and web seminars to make education accessible to people who are denied access to traditional education institutions. The media and media actors

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**Tunisia:**

Strengthening all actors in the media sector as a contribution to promoting democracy

Since the political upheaval in Tunisia, DW Akademie has been engaged on different levels in supporting the transformation of Tunisia’s media sector. One priority is the promotion of dialogue between political actors, the media and civil society about the important function of a public-law broadcaster in a democratic society. The debate centres on the practical implementation of non-governmental public-law institutions in a democratic and pluralist media landscape. A worthwhile complement to this engagement is provided in the form of training courses in political reporting which strengthen the watchdog capabilities of Tunisian radio, online and television professionals; support in setting up a parliamentary studio for radio and TV reporting; advising the Tunisian government; and training staff in the press offices of Tunisian ministries to handle the media in an open, democratic society. DW Akademie supports citizens’ opportunities for participation by means of new media and social media by holding blogger summits, where bloggers and citizen reporters discuss ethical standards, technologies and potential uses of these media. In Tunisia the DW Akademie thus supports almost all actors in the media sector by strengthening a variety of media channels for a transparent societal dialogue between citizens and the political sphere.

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BMZ Strategies 178 *Promotion of Good Governance in German Development Policy* (2009) makes clear reference to media promotion as a field of action within the framework of promoting good governance.
have also been used for many years as conduits and multipliers to promote awareness-raising on topics such as sustainable development, climate protection and health.

**New media** hold out untold new opportunities in the context of democracy building. Development cooperation can play a part in establishing social media as instruments for an informed and vigilant civil society and in encouraging participatory journalism. When using the new media in partner countries it is important to raise quality standards through targeted training and continuing education, by supporting citizen journalism for example. The media skills of individual users are helped by education programmes that teach people how to use the new media. In these ways the new media can be both an instrument and, at the same time, a platform for constructive dialogue between state and society. The traditional media and professional journalism remain the cornerstones of free media systems, which are a fundamental precondition for democratic processes, since often they alone – by virtue of a public mandate and being bound by professional standards and ethics – can ensure that information and knowledge are transmitted with the necessary independence and quality.

**Challenges** arise from uneven distribution of the technology and because access to the Internet and to social media in many countries is income dependent. It is therefore an important development policy task to support partner governments in bridging this digital divide so that the poorest population groups are not cut off from the information society. Equally, any attempt at state influence on media systems and media actors, any censorship or repression poses a challenge. Authoritarian regimes in particular constantly tighten their grip on the media: content is filtered and online dissidents persecuted. Nevertheless, this also highlights the great potential offered by a free and independent media sector in an environment that allows it to fulfil its functions: supporting democracy, the rule of law, human rights, education, political participation and good governance.

**Bolivia:**
**Introducing a dual vocational training programme in journalism for the promotion of democracy**

In cooperation with the GIZ, private and state-owned media, a foundation and universities, the DW Akademie in Bolivia created a structure for high-quality, hands-on vocational training in journalism, which can be used by media specialists in all genres. The purpose of improving the initial vocational training structure, which is operated by the media sector itself, is to contribute to depolarisation of the media. The project will enable the media to contribute to dialogue between the various actors in society and put the sector in a position to provide society with an adequate information basis for participating in democratic dialogue and decision-making processes.
Good governance in practice: Fields of action for German development policy – Human rights and gender equality

Human rights highlight the duties of the state and the limits of its power in relation to the freedoms of its citizens. They define the individual’s basic civil, political, social, economic and cultural rights and provide a universal basis for a life of dignity, equality and freedom.

The good governance approach adopted by German development policy is based on human rights and the principles derived from them. Respecting, protecting and fulfilling human rights (the threefold obligation of the state) are key elements of good governance and a precondition for reducing poverty, promoting peace and encouraging sustainable development.

In the majority of partner countries, observance of human rights is limited or inadequate. The causes of this lie mainly in poor government performance and in the discrimination against particular population groups that is deeply rooted in the social culture of many countries. Although most developing and newly industrialising countries have now ratified the human rights conventions, progress towards observance of human rights remains hampered by legal shortcomings or a lack of the necessary financial, human and structural resources.

Starting points in German development policy

Development cooperation helps to improve the human rights situation in partner countries by:

- supporting national human rights institutions and organisations within civil society;
- advising on law reform necessary to realise international human rights obligations;
- supporting the creation of state structures and the training and professional development of state employees in connection with the implementation and continuing fulfilment of international human rights obligations, especially the Convention on the Rights of the Child;
- promoting human-rights-oriented reform policies relating to basic social services, the protection and advancement of children and young people, food security and human rights education;
- raising people’s awareness of their rights and how to assert them.

An important starting point in the context of promoting the state under the rule of law is judicial reform aimed at reforming the partner country’s judicial sector in accordance with principles of human rights, and at realising the rights to equality before the law, a fair and open trial before an independent and legally constituted court, and observance of human rights during arrest and detention. It is particularly important to ensure the protection of marginalised groups such as the socially weak, children, young people and women. Here cooperation must be geared towards enabling equal access to the legal system and a discrimination-free trial, and putting in place appropriate procedures and penal systems for minors.

The promotion of decentralisation and municipal development contributes to realisation of the right to political participation and discrimination-free access to basic human-rights-based services provided by the state. More direct influence on policy and hence direct realisation of human rights and monitoring of
their implementation is possible at local level as a result of the close contact between citizens and the state that occurs here.

Tackling corruption is in keeping with the human-rights-based principle of transparency; combating corruption makes it easier for people to access resources such as land and the judicial system and counteracts the squandering of public funds provided for human-rights-based services such as health, education and water.

Because human rights are legally enforceable and internationally legitimated rights, they also strengthen civil society when it calls for political reform processes and good governance.

**The legal framework**

The definitive legal basis for German development policy in the field of human rights is provided by the United Nations conventions on human rights, which Germany has ratified. The international community declared its support for human rights in the Universal Declaration of Human Rights (1948). Various binding international treaties spell out what human rights mean; they include the International Covenant on Civil and Political Rights (1966) and the International Covenant on Economic, Social and Cultural Rights (1966). Also of great practical importance for development cooperation are the UN conventions on women’s rights (1979), children’s rights (1989) and the rights of people with disabilities (2006), the core labour standards of the International Labour Organization (ILO), and the agreements on the rights of indigenous peoples (UN Declaration (2007) and ILO Convention 169).

**Gender equality**

**Gender equality** is a core human right and key to sustainable development; it is therefore a central issue in German development policy. Most partner countries are still a long way from achieving the goal of equality. Traditional, cultural and religious norms often exclude women from involvement in social, political and economic affairs and dictate their subordination. Women are often unaware of their rights or fail to assert them because they fear sanctions or lack the necessary resources. In many formal democracies women are effectively excluded from political participation and have only limited access to decision-making and implementation processes. For example, worldwide only 19 per cent of members of parliament and 14 per cent of managers in industry and administration are women.

Gender equality can make a major contribution to development. It plays a part in the effective and sustainable reduction of poverty and in economic growth. Women who have their own income invest it mainly in food, education and healthcare for the family. This increases the family’s wellbeing, which has a positive impact on society as a whole.

**The gender approach in the field of good governance**

Good governance and the call for political participation are extremely important in this context. This approach enables women to bring their needs and skills to the policy-making process and play a part in deciding how public funds are used. Where women have access to land, capital and jobs this can trigger growth and development, thereby boosting standards of living.

**Bangladesh: Promoting the legal and social equality of women**

Since independence in 1971, Bangladesh has made steady progress towards women’s equality. However, the terms of various international agreements have still not been incorporated into national law; ignorance of the existing law is widespread and opposition to implementing the legal equality of women continues in the courts, the police and society at large. German development cooperation in Bangladesh aims to help women enforce their rights and play a part in the development process on an equal footing with men. This involves training carried out within the context of traditional village structures and within local government and police organisations, together with promotion of support services and legal advice services for women. Initial successes are now being recorded. In October 2010 parliament passed a law aimed at preventing domestic violence. A second national campaign to raise awareness of women’s rights has also been launched. Women in Bangladesh are now better informed about their rights and enforce them more strongly than before.
Burkina Faso: Strengthening reproductive rights

In Burkina Faso men traditionally take the decisions on family planning. Each woman has an average of six children. Abortion is illegal and the outcome often fatal. Healthcare provision for women is inadequate, and as result the mortality rate of children and mothers is very high. Burkina Faso ratified the key human rights conventions some years ago and has pledged to implement the right to health. This includes health education and sexual and reproductive rights – in other words, the right of women to take their own decisions on sexual relationships and family planning. In general, however, the Burkinabé – especially women – know very little about their rights. German development cooperation projects therefore work with the responsible ministries to ensure that everyone learns more about their sexual and reproductive rights. Innovative methods such as drama and film events with a follow-up discussion can raise women’s awareness of their rights. Health centre staff receive training in reproductive rights issues. The clinics where they work provide condoms as well as professional help and information. Teaching modules for use in schools provide information about female genital mutilation. Because traditions are largely passed on within the family, skilled trainers work with individual families to pass on information about various rights. As a result of German activities, women are now better informed about modern methods of contraception and have the confidence to insist that they are used. The rate of new HIV/AIDS infections in the project regions is falling. Women as well as men now know that female genital mutilation is a violation of human rights and has been prohibited in Burkina Faso for more than 15 years. They are now better able to protect their daughters from this practice. In 1991 half of all girls were still being subjected to genital mutilation – in 2005 the figure was only two per cent.

Approaches include:

- adapting existing legislation, institutions and administrative practices to the rights and interests of women (enshrining gender equality in the constitution, inheritance law, land rights)
- developing and implementing national strategies and action plans to protect women and girls from discrimination and human rights violations (prevention and prosecution of gender-specific violence against women)
- giving women access to the judicial system, raising legal practitioners’ awareness of gender equality issues
- promoting the political participation of women (quotas for women in parliament, enhancing women’s skills as candidates)
- promoting gender-fair budget management

The legal framework

Germany and the majority of its development cooperation partner countries have ratified the UN Convention on the Elimination of All Forms of Discrimination against Women. Articles 7 and 8 require the states parties to take steps to eliminate discrimination against women in political and public life and to enable women to represent their governments at international level and to participate in the work of international organisations. The third Millennium Development Goal is also particularly important. In it the international community calls for gender disparity in primary and secondary education to be eliminated, preferably by 2005, and in all levels of education no later than 2015.
Good governance in practice: Fields of action for German development policy – The rule of law | Law and justice

The rule of law is the foundation of a functioning democracy and market economy and a key element of good governance. Effective rule-of-law structures bind the authority of the state to the constitutional order and protect the individual from arbitrary state action. They are also essential to the observance of human rights. At the same time they form the framework for free yet regulated interaction of all stakeholders in society. In this way the rule of law fosters the right climate for investment and is crucial to economic growth. The rule of law is not only an important means of tackling poverty but also contributes to the non-violent resolution of conflict and the development and consolidation of democratic structures. It is therefore a guiding and stabilising factor in development and helps to enhance the quality of the state’s actions.

The rule of law as a key concept

The rule of law is a key concept in international relations. Since every country has its own constitutional history and traditions, there is no standard international interpretation of the term. Specific contexts in developing and transition countries therefore require adapted promotion strategies and individual solutions. Legal advice is not regarded merely as technical assistance or financial support.

Fundamental to the concept of the rule of law in German development policy is the interdependence of democracy, the constitutional state, the welfare state and human rights. The rule of law presupposes a state monopoly on the use of force. The principle of the state under the rule of law binds all public authorities, obliging them to comply with the law. This, combined with elements of the state’s organisation (such as the separation of powers) is characteristic of the principle of the rule-of-law state as embodied in continental Europe and Germany. It includes an institution-building element which is of major importance in connection with state-building in our partner countries. Both historically and currently, this is a special feature of the German approach in contrast to the Anglo-American legal concept of the rule of law that is frequently used internationally.

There are close links between the rule of law and legal certainty: reliability, transparency, predictability and consistent decision-making by the state form the basis of rule-of-law structures and are essential elements of them.

In addition to bilateral state cooperation, the German political foundations are also important players in promoting justice, advising parliaments and strengthening civil society and the media.

Starting points in German development policy

In evaluating the political environment in partner countries, the extent to which the rule of law is implemented is considered. In addition, German development policy helps partner governments and civil society actors to establish and shape the rule of law through projects and programmes. German development policy strengthens the role of the law as a guiding element in society and an instrument of protection for the individual. Different levels at which it has an impact are:
Legislation: advising on draft legislation, empowering important actors in the legislature in the execution of their tasks through training and professional development

Application and implementation of the law: developing jurisdiction, professionalising the relevant actors in the justice sector through capacity development and dialogue events

Law enforcement: advising organisations and providing training to the staff of enforcement bodies

Access to the law/mediation for all sections of the population: legal advice and measures to promote the wider use of the law.

Important fields of action and strengths of German development policy

The areas promoted by German development policy in connection with the rule of law include effective separation of powers, administrative procedures and the organisation of administration, criminal law and criminal procedural law, the enabling environment for a social market economy, respect for and protection and fulfilment of human rights, including the rights of children and women, and equal treatment of men and women.

In these fields of action German development policy builds on the comprehensive concept of the state under the rule of law enshrined in Germany’s Basic Law, which can provide pragmatic starting points for the design of support services. As a result of its own historical experiences and its intensive support of reforms in central and eastern Europe and central Asia, German development policy has extensive knowledge and experience of promoting the rule of law. The reform of a legal system brings with it complex processes of social change. This approach on the part of German development policy is designed on a long-term basis and is therefore particularly fruitful in terms of sustainability. In the areas of law and justice German development policy works in a context-oriented way on the basis of the existing systems in the partner country. Its work is demand-oriented and model-neutral, leaving it scope to draw on its German and continental European character and experience.

Special challenges

There are special challenges in societies characterised by legal pluralism – those in which traditional or religious norms and mechanisms exist alongside the official state legal system and in some respects contradict it. In such cases a way must be found of acknowledging societal and social norms and where possible integrating them into state legislation. It may also be necessary to take account of legitimate traditional mechanisms for resolving conflict. However, if informal or traditional laws are inconsistent with human rights or national constitutional law, state law must be strengthened and enforced. At the same time it is important to initiate change aimed at abolishing discriminatory traditional practices.

Promotion of the rule of law encounters particular obstacles in post-conflict societies. State security bodies have often been perpetrators of violence, so that the population’s trust in the protective and regulatory function of the state is deeply shaken.

South Caucasus: Advice on reform of the legal and judicial system

Since becoming independent, the countries of Georgia, Armenia and Azerbaijan in the South Caucasus have sought to stabilise their independence and establish a functioning social order by means of radical legal reforms. The BMZ supports these reform processes through a consultancy programme provided by GIZ. For example, advice has been provided on modernising the material and procedural civil and administrative law and restructuring the judicial system. Despite some progress, the legal and judicial systems of the South Caucasus countries do not yet ensure comprehensive legal security. This impacts on the economic development of these countries and on public confidence in the state.

The aim of support is therefore to involve all these countries in a dialogue on the rule of law and to consolidate a constitutional legal system. Legislation projects and implementation of the law are also promoted, for example by providing advice on training and organisation for judges and supplying them technical literature. Legal information is disseminated through brochures and television and radio programmes. The results are evident: there is regular discussion among professional legal practitioners within and between the three countries of the South Caucasus. Regional conferences and round tables on current judicial issues have now become a tradition. In addition, young lawyers from the South Caucasus meet in Berlin for three weeks each year at the “Transformation Lawyers” winter academy to extend their knowledge of legal methods, discuss principles of transformation and debate the rule of law. Events for previous participants are held to facilitate professional networking. In Georgia, Armenia and now in Azerbaijan a modern system of administrative jurisdiction has been introduced. In all three countries citizens can now have administrative decisions reviewed by independent courts.
Bangalore Principles of Judicial Conduct

In 2002 a working group of high-ranking judges from various countries set up by the United Nations (the Judicial Integrity Group) drew up the Bangalore Principles of Judicial Conduct. The code defines standards for the ethical conduct of judges and specifies six core values: independence, impartiality, integrity, propriety, equality and competence/diligence. It also contains concrete guidelines on conduct in practical situations. In a resolution passed in 2007, the United Nations Economic and Social Council (ECOSOC) urged member states to implement the Bangalore Principles. Many Latin American, African and Asian nations use the code as a model in their own countries. The BMZ has been supporting the work of the Judicial Integrity Group since 2005 and has promoted the preparation of a commentary on the Bangalore Principles and the drafting of guidelines on implementation.

Moreover, in such situations state institutions are dysfunctional, heavily politicised and potentially dominated by one of the parties to the conflict. For a peace and reconciliation process to be successful, it is essential that past crimes are dealt with, victims are compensated and justice is restored under a coherent system of transitional justice.

Integrity in the judicial system and the justice sector

In many developing and newly industrialising countries the lack of integrity in the judicial system is a particular problem. A failure to focus on performance when selecting judges, inefficiency in bureaucratic procedures, poor motivation and corruption result in the public having a marked lack of confidence in the judicial system. Yet this system cannot fully exercise its indispensable role as the third power in a democratic state under the rule of law unless the public have confidence in it. German development policy therefore supports the following measures to promote anti-corruption and integrity in the justice sector:

- ethical codes of conduct for judges and judicial staff
- steps to combat corruption
- measures to ensure that procedures are transparent, efficient and in accordance with the law
- appropriate selection and remuneration of judges.
Good governance in practice: Fields of action for German development policy – Good financial governance

Transparent and effective systems in public finance are among the fundamental prerequisites for poverty reduction and sustainable development. They mobilise and channel funds, create legitimacy for government actions, promote citizens’ identification with the state and provide the framework for private-sector activity. They comprise the revenue side (tax policy, tax collection, borrowing, asset management, management of international inflows) and the expenditure side (budget planning, budget implementation, procurement, accounting, auditing). Positive approaches in this area are covered by the concept of good financial governance.

Since the UN conferences on financing for development (Monterrey 2002, Doha 2008), the Paris Declaration and the Accra Agenda for Action, the international development policy debate has focussed on improving public finance systems. It is agreed that this requires greater mobilisation of countries’ own resources and fair tax systems that pay adequate heed to the needs and interests of the poorer sections of the population. In addition, as a result of the worldwide financial and economic crisis the G20 – as well as the UN, OECD, G8, EU and other forums – have greatly stepped up their attempts to tackle both the transfer of capital to international tax havens and tax evasion and avoidance. Developing countries are particularly badly affected by these practices, which siphon off funds that are urgently needed for education, health and other public goods.

Good financial governance in German development policy

The German government plays a key part in shaping the international debate in this area of support and is actively driving it forwards (example: the G8 Action Plan for Good Financial Governance in Africa). Good financial governance plays a prominent part in the conceptual orientation of German development policy.1

Implementation is through diverse bilateral and multilateral programmes. Approaches include:

- strengthening the public budget as a central policy control instrument as well as the actors in parliament, government and the administration who are involved in budget preparation and execution
- establishing independent and effective external financial controls (audit offices, civil society organisations)
- improving the capacity for generating revenue by reforming revenue policy and management (promoting tax equity, customs modernisation)
- advising on participatory budget planning at municipal level and promoting civil society initiatives for monitoring public budgets
- promoting methods of drawing up budgets that take account of impacts on relevant target groups by heeding and promoting gender equality – gender-responsive budgeting – or that take account of the needs of young people and the welfare of children in relevant sectors – child-friendly budgeting
- strengthening the state’s capacity to manage debt efficiently, to ensure that debt is sustainable and to prevent future debt crises.

1 See the coalition agreement and the BMZ Strategy Paper Minds for Change – Enhancing Opportunities, Strategies on Good Governance and Budget Financing, and Regional Strategies for sub-Saharan Africa and for Latin America
**Nepal: Taxes and civil society**

In Nepal the government has adopted a multi-layer approach to ensure that civil society is comprehensively involved and to increase tax revenue. The tax authority finances information campaigns on television and radio, by SMS and in schools to educate the public about their rights and duties under the country’s tax legislation. Since 2008 German development cooperation has been helping the Nepalese tax authority to implement reform by developing and strengthening technical and administrative capacities – especially with regard to IT processes, staff development and involvement of the public. The outcome of these endeavours is that the tax authority’s image has improved as a result of service improvements and transparency, while the number of registered taxpayers increased by 15 per cent in 2009. In 2009/10 income tax revenues rose by 40 per cent by comparison with the preceding year.

There are close links with other measures such as budget financing and economic and development policy and planning.

The BMZ is adding a new emphasis to the field of good financial governance with the development policy initiative of the international tax compact (ITC). This informal dialogue and action platform provides developing countries with support in reforming their tax systems and tackling tax evasion and avoidance. The ITC brings together policy-makers and experts from international organisations and industrial and developing countries who are concerned with tax issues, and promotes cooperation between them.

The ITC scheme is complemented by a targeted increase in cooperation with the International Monetary Fund (IMF). Via regional IMF training centres in Africa and Central America and contributions to a new IMF trust fund, developing countries are helped to implement tax reforms and assistance is provided to their tax administrations.

In all bilateral and multilateral programmes in the area of good financial governance the focus will in future be on integrated programme designs that take account of both the revenue and the expenditure side in partner countries and that fit into the overall country promotion programme. As part of this, the strengthening of self-financing will become a significantly more prominent issue in the policy dialogue with partner governments and other donors.

**Ghana: Good financial governance**

To improve the public finance system in Ghana, German development cooperation has drawn up a medium- and long-term tax strategy that is designed to be pro-poor and to promote economic growth. Through advice to organisations, administrative procedures are being standardised, savings potentials identified and quality indicators for rating the performance of the tax authority defined. The provision of IT advice is intended to lead to gradual automation of internal procedures and improvement of communication with taxpayers. Advice on personnel management and development aims to modernise training strategies, improve staff development plans and boost efficiency in staff recruitment. In addition, an information and management system is improving transparency in relation to budgets. In an integrated approach, German development cooperation is working closely with the Ministry of Finance, the highest tax authority, the national procurement agency and parliament.
Good governance in practice: Fields of action for German development policy – Resource governance

The wealth of resources in developing countries and the sometimes considerable revenues from minerals have in recent years become the focus of increasing international attention. In around 50 developing countries, minerals account for more than ten per cent of gross national product and are therefore an important economic factor. In resource-rich developing countries development policy is confronted with a contradiction known as the resource curse: in principle the revenue from resources such as iron ore, copper and oil harbours great potential for economic development, but it often does not benefit all the inhabitants of resource-rich states. In addition, it is often in the resource sector that the most serious human rights violations occur – forced removals, inhumane working conditions, destruction of livelihoods, pollution of drinking water sources and violence against people on neighbouring land. In many countries revenue from mineral resources is used to finance armed conflict.

As a result of interest- and exchange-rate effects, the high profitability of extractive industries can inflict long-term damage on the development of other sectors of the economy (the Dutch disease). Alongside this, another major cause of the resource curse is weak institutions.¹ In addition, the significant revenue from resource extraction makes a government independent of tax revenue from the population.² This weakens accountability and encourages mismanagement, patronage and corruption. Poverty, limited economic growth and violent conflict are frequently the result. Good governance in the extractive industries, reflected in transparent and accountable structures, is essential if resource wealth is to be used responsibly and fairly.


¹ For a comprehensive literature review see GIZ, August 2011, Curse or Blessing – Development or Misery. Scrambling to the bottom or scrambling to the top?


Good governance in the whole resource sector

Greater transparency in the extractive industries is crucial to good governance and sustainable economic growth. The international debate on responsible resource use favours new approaches to the transparent management of resource revenues. For example, this is the issue addressed by the Extractive Industries Transparency Initiative (EITI), the aim of which is to increase the transparency of government revenues...
Country example: Ghana

German development cooperation links existing approaches and integrates EITI into existing reform efforts. An example of this is Ghana. In this West African country more than 40 per cent of the volume of exports and more than 10 per cent of tax revenues come from mining, in particular from gold. As a result of the discovery of oil reserves in 2007, revenues from resources will play an even larger part in future. Ghana has been a member of EITI since 2003. The GIZ programme Good Financial Governance in Ghana is supporting the reform of tax policy and administration and modernisation of the budgeting system. In addition, since 2006 the Ghanaian government has been receiving technical advice on the implementation of EITI.

In many countries EITI has helped improve the transparency of state revenues from the extractive industries. However, the initiative alone is not sufficient to ensure good governance in the whole resource sector. Authorisation processes are non-transparent or one-sided. In most cases, too, there are no democratic procedures for deciding how resource revenue will be used. Except in Norway, the resource sector throughout the world is still characterised by major shortcomings in supervision, regulation and accountability, especially in relation to serious human rights violations. All economic processes in the extractive industries and their integration into a country’s institutional framework, including its public finance system, therefore need to be considered. Relevant aspects include the concluding and monitoring of agreements, functioning administrative structures, effective oversight and regulation in respect of the undesirable environmental and social effects of resource extraction, and the problems of Dutch disease. Efficient tax systems for the extractive industries, transparent administration and fair use of public funds are also important, as is a regional dialogue between resource-rich states that encourages peer-learning approaches.

What stakeholders are involved?

The state, the private sector and civil society play a fundamental part in successful resource governance throughout the value chain. Decisions on the use of mineral resources are not purely factual issues that can be classed as right or wrong. Decisions on what resources may be mined under what conditions form part of a process of political negotiation. Coordination of the different interests of representatives of the state, of industry and of the population is therefore required. This is reflected in EITI’s structures: more than 30 countries, almost 60 leading companies and numerous civil society organisations and networks are currently involved in implementing the initiative. Germany and other donors are supporting the implementation of EITI.

What has been achieved?

Resource governance needs to change the ground rules in a highly complex sector where non-transparent and illegitimate practices are widespread. EITI is an important starting point for modifying the prevailing ground rules and thereby strengthening good governance in the extractive industries. Significant results have been achieved both for civil society groups and in relation to state revenues: for example, in Sierra Leone EITI has meant that receipts from the resource sector included in the official state accounts have risen threefold. The accounting process is now significantly more transparent. At the same time, outstanding payments from companies amounting to more than five million US dollars have been identified. At non-governmental level EITI has strengthened the voice of civil society in policy-making processes; in particular, it has helped protect representatives of civil society from political persecution. Participation in EITI and the international attention that the initiative attracts has helped counter the threat to individual representatives of civil society, for example in the Democratic Republic of Congo.

What is German development cooperation doing?

The German government supports EITI politically, financially and technically. The BMZ represented, until the rotational change in early 2011, France, the Netherlands, Italy and Switzerland as a group of supporting countries on the EITI board. In addition Germany provides extensive technical support in its bilateral cooperation with resource-rich countries on the implementation of reform programmes. This includes

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3 Other quality standards are ensured via a two-stage inspection process that distinguishes between EITI candidate and compliant countries, see http://eiti.org/eiti/implementation, last visited on 6 February 2012.

4 “Peer learning” here means learning from other states.
projects that aim to permanently strengthen (financial) administration in resource-rich countries such as the Democratic Republic of Congo, Ghana, Sierra Leone and Liberia. Greater transparency in state revenues is the focus of an EITI consultancy approach, for example with the Monetary and Economic Community of Central Africa (CEMAC). Local and regional initiatives such as the Africa Mining Vision, which was signed by a number of African heads of government in 2009, are especially supported. On behalf of the BMZ, regional seminars in Latin America, Africa and Asia to support implementation of EITI (peer learning) and training measures (capacity development) are also conducted by state and civil society stakeholders.

**Outlook**

In implementing the above-mentioned strategies of the EU, the German government and the BMZ in the partner countries, resource management will be aligned ever more closely with the requirements of good governance. Responsible management of extractive resources, and especially observance of human rights and environmental, social and labour standards in the extractive industries will continue to be a focus of development efforts in the field of resource governance. Complementary measures in the extractive industries will be brought to bear – for example, making use of resources to strengthen sustainable economic development.

In relation to EITI the specific issues are expansion of the initiative and the accession of other resource-rich countries, especially from outside Africa, support from newly industrialising and industrialised countries and integration of the initiative into other public finance reforms. German development policy will explore expansion of the conceptual approach in the field of resource governance in order to cover the entire value chain in the extractive industries. This includes, for example, standards for tendering procedures and approaches for monitoring resource contracts, in order to further extend the good financial governance of resource-rich states through allocation and management of revenues, mechanisms for saving for the future and appropriate control mechanisms. Attention will also be paid to peer learning issues and to measuring the impact of transparency standards.

**West Africa: Fragile states**

Sierra Leone and Liberia have major reserves of bauxite, diamonds, iron ore, oil and gold and hence considerable potential for development. Both governments have been able to attract investment by international mining companies worth tens of millions of dollars. However, both government and the administration have little experience of managing large-scale investment successfully and using it to benefit national development; the same applies to small-scale mining, which is very widespread. The BMZ programme “Regional resource governance in fragile states of West Africa” aims to help Sierra Leone and Liberia utilise their resource reserves for development and reduce the potential for conflict. The programme is helping Liberia draw up a modern mining law that will have a long-term leverage effect. In Sierra Leone the draft of a national strategy for the resource sector was released in September 2011. In 2010 the Corporate Responsibility Forum of Liberia was set up in a development partnership involving the world’s largest steel company, ArcelorMittal. The project has helped to significantly increase the quality of contract information and financial data relating to the resource sector, and to improve access to this information. With German support Sierra Leone has established one of the most transparent and effective IT management systems for mining concessions in Africa. Since January 2012, key information about mining concessions has been publicly accessible. A pilot project on gender- and conflict-sensitive development planning in mining communities with 72,000 residents significantly reduced the potential for conflict.
Good governance in practice: Fields of action for German development policy – Anti-corruption and integrity

The costs of corruption are enormous. The World Bank estimates that in developing and newly industrialising countries 20–40 billion US dollars are lost each year as a result of corruption. That is roughly 20 – 40 per cent of the public development cooperation funds that these countries receive annually.

Corruption wastes public resources instead of investing them in infrastructure, public services and sustainable economic and social development. Because corruption results in legal uncertainty, distorts competition and hence increases costs, it hinders economic development. Corruption endangers democratic structures and human rights standards, reduces the efficiency of public administration and undermines the legitimacy of the state. Thus, corruption makes it harder to attain the Millennium Development Goals and hampers efforts to tackle poverty. The effects are felt most by the poor and by women and children, for whom access to public services such as education and healthcare is made even more difficult as a result of corruption. Corruption and reluctance to reform often go hand in hand and hence severely undermine the efficiency and effectiveness of development cooperation.

A number of regional and international agreements such as the United Nations Convention against Corruption (UNCAC, 2003), the Paris Declaration and the Accra Agenda for Action reflect a clear international consensus: they call on both developing and industrialised countries to take steps to tackle corruption and promote transparency. These initiatives are a clear sign that the issue of preventing and combating corruption remains firmly on the agenda of the international development and policy debate – and is therefore also a key concern of German development policy.

Corruption is both a cause and an effect of poor government performance

Corruption is both a cause and an effect of poor government performance. Corruption can undermine democratically legitimated decision-making processes and human rights such as participation and equality. At the same time it is inadequate government performance that makes corruption possible in the first place, for example if conflicts of interest blur the distinction between the public and private sectors, if there are no transparent, verifiable processes for the implementation of standards or if the state is insufficiently accountable to its citizens.

Measures to prevent and tackle corruption (anti-corruption (AC) for short) are usually closely linked to reforms to promote good governance. For example, administrative reforms that simplify individual administrative processes and make them public help to reduce opportunities for corrupt behaviour. Promoting transparency and effectiveness in the public finance system reduces corruption and misuse of public funds and at the same time identifies such misuse. Conversely, measures to reduce unfair patronage in the management of human resources contribute to the general professionalisation of staff.
**The German development policy approach**

The German government views preventing and combating corruption as a foundation for effective and value-based development policy and integrates it into its strategies and practice. The concept adopted by German development policy uses the 3 x 3 formula: it comprises three intervention levels and targets three stakeholder levels. The aim is to promote the involvement of the state, civil society and the private sector in tackling corruption.

**In cooperation countries**

*Work in the cooperation countries* is at the heart of German development policy. In the field of anti-corruption, the emphasis of German development policy is on developing the capacity of state institutions in the partner countries to prevent and tackle corruption. In tackling corruption, German development policy adopts a dual approach involving both explicit measures such as strengthening anti-corruption agencies and implicit anti-corruption measures in projects in other sectors.

German development policy promotes cooperation between state institutions, civil society and the private sector in the partner country. Both national and international multi-stakeholder coalitions may be appropriate, depending on the context.

A particular strength of German development policy in implementing anti-corruption measures is its range of different
Kenya:
Whistleblowing system

In recent years German development cooperation has helped the Kenyan Anti-corruption Commission (KACC) introduce the BKMS whistleblowing system, which enables corruption to be reported online, anonymously and hence without fear of possible reprisals. The system has been in operation since 2006 and is proving very successful. In 2009 alone, 800 tip-offs were received from all parts of the country and all sectors of society; 90 per cent of them were classed by the KACC as relevant. The structure of the BKMS systems enables the KACC to communicate with whistleblowers without compromising their anonymity. KACC is now financing and managing the system autonomously.

Instruments in financial and technical cooperation. Technical cooperation may involve deploying experts in governmental, non-governmental, central and local institutions and organisations in cooperation countries. Other measures include training courses in the partner country or courses in Germany of up to a year in duration, as well as classical technical cooperation projects. These instruments enable development cooperation workers to address the needs of their partners and the local context particularly well in anti-corruption work.

International commitments

Globalisation means that now, more than ever before, corruption is a phenomenon that overrides national borders. German development policy is therefore actively committed at international level to the formulation and implementation of stringent standards to tackle corruption and the forces that instigate corruption internationally. In addition, it promotes cooperation and dialogue between the countries of the South.

The BMZ supports implementation of the United Nations Convention against Corruption (UNCAC) worldwide; it backs the anti-corruption initiative in Asia and the Pacific launched by the OECD and the Asian Development Bank (ADB/OECD Anti-Corruption Initiative for Asia-Pacific) and the cooperation between the OECD and the African Development Bank in tackling corruption.

German development policy promotes international multi-stakeholder initiatives that focus on tackling (international) corruption in individual sectors and fields of trade. These include in particular the Water Integrity Network, the Extractive Industries Transparency Initiative and the WHO Good Governance for Medicines Initiative. German development policy also supports the UN Global Compact. This worldwide alliance between the United Nations and the private sector, which is based on voluntary commitment, enables the state and the private sector to engage in dialogue on solving global social and economic problems, including corruption. In addition, Germany has for many years promoted the work of relevant international non-governmental organisations (NGOs) – especially Transparency International, the world’s largest coalition of anti-corruption NGOs.

Effective prevention of corruption requires efficient coordination of all donors. The BMZ therefore plays an active part in the relevant donor coordination forums, especially the relevant working group of the OECD Development Committee and the U4 Anti-Corruption Resource Center. Germany led the U4 donor group from 2010 to 2011.

Our own integrity and risk management

To maintain the acceptance and credibility of German development policy and ensure that it is efficient and effective, establishing that German development funds are used responsibly and protected against corruption must be top priorities. German development policy does not tolerate corruption. Because German development cooperation is active in countries in which corruption is sometimes a major risk, it is essential to take steps to reduce the risk to our own projects. This involves considering corruption risks in a nuanced way, so that measures can be adapted to the actual risk potential. In general a distinction is made between integrity measures that regulate the behaviour of development cooperation staff, measures to prevent corruption by and in organisations entrusted with the use of German development funds and integrity agreements with German development cooperation contractors.

Moreover, a high degree of transparency with regard to the use of development funds can help identify and prevent corruption, because target groups are informed about the funds provided for them and can lodge a complaint if the funds are not made available. German development cooperation therefore actively campaigns for implementation of the International Aid Transparency Initiative, which contains a catalogue of measures relating to the disclosure of information about development funds. German development cooperation thus makes an important contribution to implementation of the Paris Declaration and the Accra Agenda for Action.

1 For example, loan and financing agreements covering financial and technical cooperation contain anti-corruption clauses. In addition, since 1997 all protocols of government negotiations with partner countries include anti-corruption agreements that are binding on state executing organisations.
Health insurance as corruption prevention

Irrespective of whether corrupt behaviour is illegal or morally reprehensible, corruption is highly inefficient. This was highlighted by a survey of patients with and without health insurance in a health centre in Guinea in West Africa. Patients who had health insurance made higher official payments but no unofficial ones, while patients without insurance were made to make additional informal payments – with the result that uninsured patients paid twice as much for health services during the survey period, although they used these services only one quarter as often as insured patients. Introducing health insurance can therefore help to prevent corruption and facilitate access to healthcare services.
Decentralisation and the introduction of local government are important elements of the modernisation of government and administrative systems in many partner countries. The regions and local authorities play a key part in providing public services and involving local people in decision-making processes. Reforms in the area of decentralisation and local government aim to make the state more transparent, more effective and more responsive to citizens' needs at all levels. **Efficient decentral structures in government and administration are the foundation of responsible governance throughout a nation's territory.**

Decentralisation and local government provide an important basis for structural poverty reduction and sustainable development: local government offices and administrative units can involve local people in important decision-making processes directly, efficiently and appropriately and they can offer necessary public services that are pro-poor, discrimination-free and adapted to the needs of the local population. By this means, legitimate and effective structures in local government and administration can increase people's confidence in the state and hence strengthen it. In addition, promoting favourable conditions for local economic development and strengthening local tax administration can help the local economy develop dynamically and make additional tax revenue available to finance local development.

Decentralisation reforms are **highly political processes, because they result in a redistribution of power, responsibilities and resources between the different levels of government and administration.** The fact that decentralisation is a process involving many different stakeholders with divergent interests and incentives means that it also entails risks. For example, there is a danger that elites – including local ones – may manipulate reforms to their own advantage. Special challenges arise in transition and peace processes or if local democratic institutions are dissolved and elections take place. Such risks, and the opportunities for counteracting them, must be considered when any advice on decentralisation is provided. Key to any such situation is a good understanding of the political and economic context of the reforms, so that work on establish-

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**Concepts**

German development policy views decentralisation as involving the **transfer of tasks, responsibilities, resources and policy-making authority** from central government to the intermediate levels of government and administration (provinces, districts, regions) and to the lower levels (cities, towns, communities, villages). The transfer of tasks is based on the **subsidiarity principle**, which states that tasks should only be undertaken at a higher political or social level if they cannot be performed appropriately at lower levels.
German development policy regards the main aim as being to promote the local self-government of geographically distinct administrative units with their own set of tasks, sufficient resources and democratically legitimised representative organs (Devolution). Decentralisation therefore involves far more than merely redistributing tasks within the administration (for example through Deconcentration). In the context of decentralisation tasks can also be carried out by autonomous state institutions, private companies or civil society organisations (Delegation). A hallmark of functioning decentralised systems of government and administration is that they combine these three types of decentralisation in ways appropriate to the specific situation.

An appropriate financial and human resource basis is necessary if the transferred tasks are to be performed properly. In practice rural communities, in particular, are unlikely to have the necessary financial resources. The transfer of responsibility for an autonomous income and expenditure policy at decentral level and for autonomous use of fiscal transfers (fiscal decentralisation) is an important component of a successful decentralisation process.

**What contribution is German development policy making in the partner countries?**

German development cooperation in the field of decentralisation and local government is characterised by a systemic approach: the political, administrative and fiscal dimensions of the decentralisation process are always promoted on an integrated basis. This makes it possible to ensure that local self-government is assigned not only new tasks but also new resources for performing them.

Promoting decentralisation and local self-government as a cross-cutting task can also help the results to be strengthened, disseminated nationally and established sustainably in other areas promoted by German development cooperation. These areas may include other fields of action relevant to good governance such as democratisation processes, administrative reform, local and urban development and public finance. They may also include other sectors, in particular in the field of public services (education, health, water, waste), and areas such as local economic development, employment promotion and adaptation to climate change. The global partnership for effective development cooperation set up in Busan at the end of 2011 explicitly refers to the special importance of local self-government in participation processes and in terms of accountability and ownership, particularly by virtue of its responsiveness to citizens' needs.

German development cooperation promotes decentralisation processes and local government by fostering reforms, regional networking, a global platform for harmonising donor approaches, and through development cooperation work with local authorities and non-governmental actors.

**The most important approaches** at bilateral level are:

- supporting the formulation of decentralisation strategies and the formation of political will at national level;
- taking account of legitimate traditional conflict resolution mechanisms. However, if informal or traditional norms and institutions are inconsistent with human rights or national constitutional law, state law must be strengthened and enforced. At the same time it is important to initiate change aimed at abolishing discriminatory traditional practices;

**Indonesia: Functioning public services**

Twenty three per cent of Indonesians are without access to clean water, and for every 100,000 people there are on average only thirteen doctors to provide healthcare. Although primary education is free, its quality still leaves much to be desired. Since 2001, responsibility for these basic social services in Indonesia has rested with the municipalities. In view of the great regional differences within the country, it makes sense to resolve the problems decentrally. However, the municipalities lack financial resources and trained staff. Corruption and mismanagement also occur. Since 2000 a German development cooperation project has therefore been working with Indonesian ministries, local authorities and civil society to improve the quality of public services at municipal level. Working with local partners and the public, the project has drawn up surveys in which the users of public services such as local health clinics are asked to rate the agencies and service-providers involved. The results of the surveys are collected, analysed jointly and published. Many problems – such as improving the friendliness and discretion of healthcare workers – can be addressed directly at municipal level. Problems that need to be resolved at higher level – such as money for additional hospital beds – are passed on, making reference to the survey results. The project reviews progress and repeats the surveys at regular intervals. Public consultations show that service quality has improved noticeably in places where the surveys have been conducted. The results have proved their worth: in 2009 the Ministry for Administrative Reform issued a ministerial decree making such surveys mandatory in all municipalities.
Decentralisation in Mali:
Despite a military coup, local self-government is working

Since the military coup and the fall of the government in March 2012, Mali has been in crisis: armed groups control two thirds of the country, central government no longer functions as a regulatory authority and provider of public services, and the food supply throughout the country is uncertain. It is not yet clear how the situation will develop. When the crisis broke out, however, the strength of local self-government was revealed. Basic social services are provided mainly by the municipalities. They organise humanitarian aid; in the occupied areas in the north they themselves are an important source of stability for the people. Yet the 760 local authorities commenced their work only in 1999. That this institutional network functions is due partly to the decentralisation programme undertaken by German development cooperation. For example, German financial cooperation has supported the national fund for financing basic infrastructure, which in ten years has built more town halls, schools, hospitals, water supply systems and market institutions than state central government had created in 40 years. At the same time German technical cooperation has advised the municipalities on learning the basics of municipality management; the practical lessons learned are systematically incorporated into the curriculum of the national training centre for Malian local officials. The costs of building the centre were borne by German financial cooperation. However, key to the ability of Malian self-government to withstand crisis is its democratic basis. Year by year mayors and local councils take part in an event in which they are held to account by the public for their actions – a process in which the results and style of the local leaders are just as hotly debated as the honesty of the public in paying their taxes. Since 2012 the instrument of the "citizen dialogue" developed by German development cooperation has been enshrined in the law on local authorities.

In inter-country German development cooperation, work in the area of decentralisation and local government is carried out mainly by GIZ and KfW.

The Development Partners Working Group on Decentralisation & Local Governance (DeLoG) is an important instrument for harmonising different donor approaches and positioning the issue on the international development agenda. It is a recognised dialogue and learning platform with 27 bi- and multilateral donor organisations as members; its secretariat is located at GIZ headquarters in Bonn. As well as facilitating debate and the exchange of ideas, the Working Group prepares its own publications and papers for international conferences and contributes to joint capacity-building measures in the field of decentralisation and local government.

For the many cooperation schemes between German cities and districts and partner communities in developing countries, the BMZ and the German states have set up the service agency Communities in One World, which has now been incorporated into the newly created service agency for civic engagement in development - Engagement Global.
Good governance in practice: Fields of action for German development policy – Good governance and sustainable economic development

Since the onset of the global economic and financial crisis if not before, the relationship of state, economy and society has become a topic of intense national and international debate. The prevailing view that markets are efficient and self-regulating without state intervention is increasingly questioned in view of their increasingly obvious weakness. Consequently the state’s role in ensuring a functioning economy shifts to the centre of attention. According to the Nobel prize-winning economist Joseph Stiglitz, only economies that find a balance between markets and the state will be sustainable.1

It is not just markets that are imperfect; the same statement applies to the state side of the equation. The central question here is what good governance means in connection with economic development in times of crisis, and how it can be achieved.

In relation to the countries of the South, it is plain that the substantial orientation of development policy towards implementation of the Millennium Development Goals in the last decade has produced very ambivalent outcomes. Aside from a few positive examples, the poorest countries in the world have fallen even further behind. A divide between the rich and the poor is apparent, not only in comparisons between countries but also within individual states. Even in countries that have achieved considerable economic growth in recent years, the proportion of poor communities is often high. In its publication Minds for Change – Enhancing Opportunities (2011) the BMZ points out that 60% of the absolute poor live in countries like China, India, Pakistan or Peru, i.e. in countries deemed to be middle-income countries by global comparison. This makes it clear that growth rates alone are not a sufficient condition for poverty reduction. The theory of a trickle-down effect, whereby the fruits of an economic upturn eventually filter through to all sections of society, remains unvalidated. To make it a reality, economic growth must be pitched to achieve broad-scale effects that reach the very centre of society and not just the elites. Another important aspect is the economic participation of marginalised social groups. As is demonstrated by the example of middle-income countries with considerable social divides, an exclusive focus on achieving higher growth is obviously not sufficient to stimulate broad-scale economic development.

Experience with the implementation of the MDGs shows that such development is all the more likely to be achieved, the higher a country’s level of governance and the more a government proves its political will for reform. The development of Botswana, for example, shows that orientation to the principles of good governance coupled with relatively effective state institutions can result in impressive economic development. So good governance – in addition to its inherent meaning as part of Germany’s value-orientation – is a key prerequisite for broad-scale economic development aimed at reducing poverty.

The role of the state for broad-scale and sustainable economic development, and fields of action for German development policy

In the first place, the foremost concern is to bring out the enabling role of the state. That is to say, state policy creates...
a favourable economic setting. This is mainly achieved by establishing the appropriate enabling conditions and structural policies on the macro and meso level. What matters here is the development of market institutions, e.g. as a basis for property rights and contractual agreements. Crucial elements are legal certainty and an enabling rule-of-law framework to safeguard properly regulated and reliable interaction between all market participants. For these are an important steering element for economic processes and help to improve the climate for business and investment. A related aspect is the effective tackling of corruption. Essentially the state possesses a broad range of instruments for establishing this kind of enabling environment: these range from regulation, control and regulatory policy, through structural and fiscal policy to the provision of important infrastructure, the reform of the education system and use of targeted support instruments, or administrative reforms such as reducing bureaucracy. Development cooperation can support the state in enhancing and making effective use of this range of instruments.

At the same time, sustainable economic development requires engagement from and cooperation with private-sector actors. In German development cooperation there are many examples to demonstrate how cooperation focused on economic development involving private actors, societal groups and state bodies opens up new scope for action. It is particularly important that state bodies build up a constructive relationship with market participants, establish mechanisms for a structured dialogue with representatives of the private sector, and ensure that dialogue with them is continuous.

A socially equitable economic policy that is geared towards participation of all members of society helps to ensure that an economic upturn has broad-scale effects. The existence of fair competition is just one element of such a policy, as is the possibility to insure against economic and personal risks. Economic resources must be safeguarded and any growth in prosperity distributed equitably. Access to basic social services for all is another elementary policy component. In addition, targeted efforts must be made to integrate marginalised groups such as women and young people on equal terms, since their potential is also important for economic development. The model of the social market economy takes up these elements. It protects the freedom of all market participants, institutes social equity and safeguards solidarity and equal opportunities. In the recent debate, these elements are complemented by the dimension of

Viet Nam: Macroeconomic reforms

Since Viet Nam embarked on its reform policy in the direction of a market economy in 1990 it has achieved very considerable progress. In an open global economy, however, Viet Nam cannot hold its own indefinitely unless important state institutions adapt their principles, laws and regulations sufficiently, which is not yet the case. Since 2005, German development cooperation has been supporting the Vietnamese government in its preparations to integrate selected market-based institutions into the global economy and to steer environmentally sound socio-economic development. Tasks include reorganising banking and capital-market supervision, strengthening financial power in poorer provinces and communities, introducing an eco-tax law to curb environmental pollution, and building capacity for better economic analysis and forecasting by the central bank, economic research and the finance ministry.

Approaches to strengthening governance structures for sustainable economic development

German development cooperation supports and advises its partners in the process of administrative reforms and on improving legal and regulatory frameworks such as labour, property, bankruptcy or tax law. Support is also provided in the key areas of anti-corruption, promoting state regulation and control, supporting mechanisms and formats for the public–private dialogue, strengthening sub-national actors in developing effective horizontal governance for territorial economic development, and fostering democratic accountability and participation rights. The social and ecological market economy is the fundamental regulatory-policy model with which German development policy is aligned. It is not a blueprint, however, and must be adapted to the country context.

The aim of advisory work is to consolidate the core competences of the state, create market-economic incentive mechanisms, and improve the enabling conditions for the private sector. At the same time, it needs to ensure that human rights are safeguarded and promoted and that growth is environmentally sustainable and broad-scale in its impacts. This can be expected to result in higher growth rates and the creation of new jobs from which all sections of society stand to benefit – so that ultimately it contributes to poverty reduction and sustainable development.
environmental sustainability. The concept of a social and ecological market economy encompasses these three dimensions, all of which are important for sustainable development in the partner countries of the BMZ.

It is only possible to accomplish these cornerstones of a social market economy in conjunction with the democratic structures of the state. For a proper societal debate and negotiation processes to take place on how to generate profits from national resources and how a government should treat these profits responsibly and accountably, the whole of the population must participate. Furthermore, democratic ground rules must be adhered to. Particularly in resource-rich states, democratic control counteracts the phenomenon of elite capture and prevents situations where the only people to benefit from a country’s natural resources and economic cycles are those related or connected to ruling families. This kind of situation has been censured in countless countries in the Arab world, for example, and criticised by the civil opposition movements of the Arab Spring. On the other hand, a responsible role can be exercised by effective accountability mechanisms, national parliaments, an independent judiciary, a free and pluralist media landscape and well-informed citizens. Ultimately, all of these also underpin social cohesion, the non-violent resolution of conflicts and hence the stability of the country. This is key to lasting and sustainable economic development.
Particular challenges: Assessing the development orientation of partner countries

With reference to regular analyses from independent experts and the experience gained from bilateral cooperation, the BMZ documents the complexity of the governance situation in the individual partner countries and reduces it to a scale that is relevant to policy decision-making. In addition, the BMZ evaluates the level of governance and the development orientation of partner countries on an annual cycle. This enables the BMZ to accentuate the perspective it brings to the dialogue with its partner and to the international dialogue, and to plan and implement development measures in a more targeted way.

Analysis categories and criteria

Of particular importance in this assessment are two dimensions which reflect the complexity and dynamics of development processes:

- First, the motivation of a partner government for reform, known as development orientation, which has a substantial influence on the overall assessment of the partner country
- Second, the governance level of a partner country, in other words the way in which decisions are made and policies are formulated and implemented in a state. The German understanding of good governance is value-based (see below).

A high level of governance is characterised by developed statehood and institutions, and by state and administrative action that makes responsible use of political power and public resources. Constructive state–society relations are characteristic of developed statehood. Where governance levels are low, state institutions are weak or even at risk of breakdown. The institutionalised interaction between the government and relevant state actors and institutions is poor, and government action is not democratically legitimated to an adequate extent. The outcomes from analysing the catalogue of criteria inform the work of the regional and sector divisions – from shaping the development cooperation portfolio to drafting country strategies or making preparations for government negotiations.
Particular challenges: Good governance in different country contexts

The first definitive criterion for the context-adapted design of promotion measures is the existing level of governance. The question here is whether the state makes responsible use of political power and resources and whether it has the necessary capabilities to fulfil core state functions in keeping with the expectations of its citizens.

The second main criterion for cooperation with partner countries is the development orientation of governance. Development orientation means the motivation of state actors to engage in reform and dialogue, which is critical for the legitimacy of a state. A government can be development oriented even if governance levels are low, and can work towards changing the governance situation in the country. In such cases the positive efforts of a government can be supported. However, if the government shows little motivation to carry through reforms or to engage in dialogue it is a completely different matter.

Changes in a partner’s development orientation must be responded to swiftly and flexibly. Should it deteriorate, work should be directed towards altering the government’s conduct and supporting actors who are observably motivated to engage in reform. In countries in which the possibility of cooperation with state actors is constrained due to poor development orientation, it is especially important to strengthen civil society. Overall, the rule of thumb that applies is, the greater the effectiveness and development orientation of state actors, the easier it becomes to bring to bear the full range of development policy instruments and corresponding incentive systems. The greater the loss of legitimacy by actors and the instability of the context at the outset, the more development policy has to rely on special political steering and flexible application of instruments and approaches.

Countries with medium and high governance levels

Partner countries with medium and high levels of governance are referred to in terms of developed statehood. If, in addition, the action of state actors is development orientated, a broad spectrum of supporting measures is available. The aim of German development policy in such a country context is to support national (sectoral) reform policies in line with the Paris Declaration. Important aims are not only to develop state effectiveness but also to continuously strengthen the rule of law in the country by promoting democratic governance.

A special situation arises for countries where the governance level is medium to high but development orientation is in decline. Here early preventive action should be taken in a phased approach to prevent the country from back-sliding into fragile statehood. For example, if failings of governance are addressed immediately and thoroughly in the course of political dialogue with governments, this approach may prove successful.

Countries with fragile statehood

Many of our partner countries exhibit characteristics of fragile statehood. The governance level in these countries is low, and state institutions are weak or at risk of breakdown. Sometimes the state is unable to fulfil its core tasks adequately or at all. The foremost priority in this these countries is the promotion of state building in order to strengthen the legitimacy, effectiveness and institutions of a state on the basis of constructive state-society relationships.

In fragile and conflict-affected states, German development policy considers it especially important that development
policy is designed to be context-sensitive. Fragility and violent political conflicts often turn into a vicious circle, as described in the World Development Report 2011: *Conflict, Security and Development*. In these contexts, development cooperation must pay attention that nothing is done within the framework of good governance which – even unintentionally – exacerbates old social and political conflicts (do-no-harm appraisal).

The choice of fields of action, partners, target groups in instruments must be weighed up individually for each partner country and determined substantially according to its particular degree of development orientation. In the absence of development orientation, it will generally be unavoidable to implement projects outside of state structures so as to support population groups in hardship or at risk and to ensure that their basic needs are met. In contrast, where the development orientation of governance is low, cooperation with state actors is possible to a limited extent, for example in the sectors responsible for provision of basic social services (water, health). It is important here to avoid negative incentives which stabilise existing power relations. It is vital to support the development-oriented forces for reform which may be able to stimulate bottom-up transformation processes. Where governance is development oriented, the momentum of reform should be harnessed to advance the development of complex governance institutions (administrative reform, the rule of law, management of public finances).

States with fragile statehood are not only characterised by poor effectiveness but also by the near-absence of the rule of law. Effective political negotiation processes which engage with the expectations of citizens cannot take place. The social contract is precarious and the degree of social cohesion is low. Against this backdrop potential fields of action can be identified which are important aspects to support in all states but which must be given special attention in all development projects taking place in conditions of fragile statehood and poor governance. These include:

- strengthening social cohesion with a special focus on young people
- fostering constructive state-society relations
- supporting democratic institutions and forms of participation
- creating the right conditions under the rule of law for non-violent conflict resolution

Reform processes in countries with fragile statehood call for a long-term commitment. State building is always an endogenous process. While external actors can support this, the scope for action available to international development cooperation remains limited and risk-laden. Nevertheless, withdrawal and sanctions are not usually a solution and only make sense in exceptional cases. By constructively fostering state-society relations and maintaining the cooperation itself under difficult conditions (staying engaged, but differently), any further slippage into fragile statehood can be resisted.

**Conflict and post-conflict countries**

Special challenges arise for development policy engagement when the history of the given country or sub-region has already been shaped by armed violence. This applies both to countries in which past conflicts have escalated into outright violence, concluded by a formal peace treaty – i.e. post-war societies – and to those in which the repercussions of ongoing violent conflicts must be dealt with. Often these countries exhibit characteristics of fragile statehood. The promotion of good governance by supporting reform processes in the areas of political participation, democracy and the rule of law can make an important contribution to crisis prevention and peace building in these countries. Experience has shown that success in such contexts depends on making a connection geared towards the specific context between peace building and state building, in order to bring about effects relevant to peace. Important aspects here are the strengthening of non-violent mechanisms of conflict resolution as well as reconstruction. A short-term goal is to bring about effective and – to the population – perceptible improvements in living conditions and state functions. In the long term the structural causes of problems and conflicts must be tackled.

A further characteristic of post-war societies is that the population has often been traumatised by war crimes and human rights violations. The people have lost their faith in the state and its rules, institutions and processes. In these situations the overriding aims are to strengthen trust in the state’s protective and regulatory function, to work for stability, social reconciliation and peace and to prevent any renewed escalation of violence. Efforts towards these ends involve initiating reconciliation processes, fostering equitable political participation on equal terms and establishing judicial and administration structures under the rule of law.

In this process, all measures promoting good governance must be designed to be conflict-sensitive, meaning that they do not unintentionally add to the potential for escalation (the do-no-harm approach) but rather have the opposite effect of defusing the situation and promoting peace.

**Flawed democracies, hybrid and authoritarian regimes**

The terms “hybrid regimes” or “flawed democracies” refer to countries in which formal democratic and informal non-democratic institutions coexist. Many partner countries operate in this kind of grey zone and have characteristics of both democracies and autocracies – for example, the government of a country holds elections but in such a way that opposition parties cannot contest them on a level playing field with the government and political pluralism is curtailed.

In such countries German development policy aims to influence the government to change its conduct in the direction of development-oriented transformation. It contributes to
developing an enabling environment that favours processes of democratisation. In promoting the rule of law and political participation, the intention is to strengthen the state’s legitimacy, improve the transparency of government and administrative action, improve control of the state’s exercise of power, and to combat corruption, arbitrary state action and abuse of office.

Depending on the situation at the outset and the government’s motivation towards reform, two strategies for action can be differentiated: promoting democracy within the prevailing conditions, or working to change the political conditions. The former is aimed at binding the work of government and administration to law and legislation by means of quality improvement, in order to professionalise the political system. The latter is directed to strengthening reform-minded actors and groupings in order to support reform and liberalisation processes. Depending on the situation, development cooperation can work with those state actors whose will to engage in reform is manifest and who function as drivers of change. On the other hand, if the state resorts to a high level of violence and repression to maintain power, then cooperation with state actors is not possible and non-state actors can be strengthened.

Hybrid country contexts are usually characterised by traditional and informal structures counterposed by action based on a rational-legal, bureaucratic logic. They are particularly prevalent in rural regions. Informal structures often act as a substitute for state functions by regulating matters locally and swiftly. These structures should be taken into consideration in development measures. It is important to harmonise and coordinate the different systems and forms of cooperation with due regard for human-rights standards.

Global development partners

Global partners for development are newly industrialising or emerging countries which possess the essential qualities of industrialised countries and, due to their geopolitical significance, help to shape global processes within the G20 Framework. The OECD-DAC classifies them as developing countries, however, since these countries are home to more than half of the world’s poor. The core group of global development partners currently consists of Brazil, India, Indonesia, Mexico and South Africa.

Because of the size of their economies they assume a key role for regional economic development, exert great political influence in their regions, and increasingly contribute to shaping international policy. They often have a medium to high governance level. German development policy is firmly convinced that answers to the key questions and global challenges of our time can only be found jointly with these partners. Therefore German development cooperation supports the global development partner countries with programmes for the reform of state structures, good governance and effective governance structures, which are a prerequisite for effective partnerships on global development issues.

Germany’s cooperation with its global development partners takes place primarily in the areas of climate and environmental protection, sustainable economic development and the shaping of global development agendas, which present important starting points for the promotion of good governance. The process involves the creation of legal frameworks within which climate protection, environmental protection and sustainable economic development can be promoted. Moreover, German development cooperation advises on the implementation of international agreements and promotes good practice in social and environmental standards.

German development cooperation supports newly industrialising countries which have themselves begun to provide development cooperation, by entering into tripartite cooperation arrangements and passing on its experience.
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The priorities of German development policy

More effectiveness
More visibility
More commitment
More private sector
More education
More democracy