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**"THE CONCEPT OF "GOOD GOVERNANCE" AND ITS
IMPLEMENTATION IN THE SWISS DEVELOPMENT POLICY"**

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THE CONCEPT OF "GOOD GOVERNANCE" AND ITS IMPLEMENTATION IN THE SWISS DEVELOPMENT POLICY

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I. INTRODUCTION TO THE CONCEPT

a) "Good governance": a new paradigm in the area of development policy?

In recent years, "good governance" started to be the new "paradigm" in international development policy.

Two and a half years ago, the development assistance committee (DAC) of the OECD elaborated guidelines on the subject of "good governance" for its 21 memberstates. The guidelines describe ways how the principles of "good governance" can be practically implemented in the policy of international cooperation.

In a similar move, the World Bank and the UNDP (United Nation Development Program) regularly focus on the political dimension of development, the government's role and - explicitly - on the importance of "good governance" in their annual world-development-reports. (The World Bank will even dedicate its world-development-report in 1997 to an important issue in the field of "good governance": the relation between government, private economy and civil society.)

The new tendency is based on the perception, that a sustainable economic and social development can not be guaranteed without an improvement of the political framework in developing countries.

b) Short historic of the new paradigm

The concept of "good governance" is a product of the post-cold-war-area. It appeared as such at the beginning of the 90ties. Earlier, the debt crisis in the 80ies had already lead the Bretton Woods Institutions to introduce structural adjustment programmes which contained elements of "good governance". As a matter of fact, the adjustment programmes intended to strengthen the economic and budgetary policies of developing countries in order to reduce their debt burden, focusing first of all on the macroeconomic level.

It was the collapse of the bipolar system which made a discussion of the political framework of economic development possible. The donor countries were no longer afraid that the receiver state would desert to the rival political camp, once critisized for ongoing corruption and undemocratic structures. This lead the West to the position to no longer support undemocratic governments. As the United Kingdom Foreign Secretary Douglas Hurd stated in 1990: "Countries tending towards pluralism, public accountability, respect for the rule of law, human rights and market principles should be encouraged. Governments which persist with repressive policies, corrupt management and with wasteful and discredited economic systems should not expect us to support their folly with scarce aid resources which could be better used elsewhere". Other factors made the emerging paradigm more popular: Firstly in several African and Latinamerican countries, the early 90ies were accompanied by the beginning of a democratisation process (and the Paris Conference of the less developed countries in 1990 underlined, that the - African - governments should assume more self responsibility) and secondly, the international conference in Vienna on human rights in 1993 confirmed the universality of those, underlining that a different development degree does not justify violation of human rights.

Last but not least, it would not be honest not to mention the budgetary restrictions of the donor countries as another determining element for the appearance of "good governance". Many industrialised countries have - in consequence of the recession -

seen their budgets for development cooperation diminish and had to increase the quality of the aid, being more efficient in the utilization of the fund allowed to them.

c) What "good governance" stands for - a few definitions

The World bank first created the notion of "governance" by analysing the development crisis on the African continent. This analysis made the weaknesses in the field of "governance" responsible for the insufficient development results. The Bank's definition of "governance" is related to the political and economical framework and distinguishes 3 levels:

1. the formal level, i.e., the form of the political regime
2. the level of process, i.e., the process by which authority is exercised in the management of a country's economic and social resources
3. the capacity level, i.e., the capacity of government to formulate and implement policies and discharge government functions.

The World Bank has - on account of its statutes - to concentrate on the second and third level. This is why it focuses on the economic and social dimension of development while the political level is not taken too heavily into consideration.

The main area of activity of the World Bank remains, however, the improvement of the public sector's management and the legal framework. This is attainable through reforms of administration, financial-sector and public enterprises as well as through the assistance in the drawing up of competition-, banking- ownership- and investment-laws.

In contrast with the World Bank, the bilateral donors added the adjective "good" to the term of "governance", convinced, that political aspects such as human rights, democratisation and participatory development were as important as the economic aspects.

In the following, we will go further into the definition of “good governance”, utilizing the description, OECD’s development assistance committee (DAC) gave to the term after several years of conceptual work.

The DAC-concept distinguishes 4 main elements of “good governance”:

- The rule of law (a predictable legal environment, with an objective, reliable and independent judiciary)
- Public sector management (efficient, transparent and controllable public administration)
- Controlling corruption (in the public and private sector)
- Reducing excessive military expenditure (development-oriented allocation of the State’s budget)

and describes associated elements:

- Human Rights (fundamental human rights have to be respected)
- Democratisation (in the sense of a better political participation (control of power), and not in a specific and formal way)
- Participatory Development (decentralisation and empowerment (to strengthen civil society by supporting NGO’s, cooperatives, unions and grass root organisations, capable of enforcing people to defend their own interests and of involving people in political and economical decision making processes concerning them)).

d) “Good governance” in Swiss development policy

The Swiss Development Cooperation SDC’s concept of “good governance” is related to the above mentioned one. Beyond that though, Switzerland promotes human rights, democracy and the rule of law on the basis of the second strategic objective formulated in the “Report on Switzerland’s Foreign Policy in the 1990’s”. This report formulates Switzerland’s foreign policy and is based on five strategic objectives, valid in the area of our relations to the European neighbours as well as to those in

developing countries. On the basis of the report on foreign policy, SDC formulated the "Guidelines North-South", which pursue similar objectives and are based on the principle of safeguarding Switzerland's interests on a longterm basis.

The Guidelines explicitly mention "good governance" as an instrument to apply the first and second strategic objective of the Foreign Policy Report (safeguarding and promoting peace and security, human rights, democracy and the rule of law).

II. APPLICATION OF THE CONCEPT

a) What kind of instruments to promote "good governance"?

To formulate the question in a different way: How can development cooperation contribute to raise credibility of developing countries' governments towards the civil society, the international community and the economic actors?

After what has been said until now, one could suppose that the only intention of a donor country to encourage "good governance" is enough to raise the political credibility of a government. This is not the case. The developing cooperation can not, from outside, influence to that extent the political credibility by simply demanding the application of "good governance"-criterias. "Good governance" is, first of all, the responsibility of the developing countries themselves.

However three forms of intervention to promote "good governance" from outside have proven successful. The three (1.positive measures, 2.political dialogue, 3.direct conditionality) can be combined in various ways and have the following characteristics.

1). POSITIVE MEASURES

With the support of positive measures donor countries try to strengthen governmental- and non-governmental-actions which promote the ideal of "good governance".

The above mentioned measures of the World Bank - such as reforms of the public administration- and financial-sectors, the privatisation of public enterprises - can be seen as positive measures as well as technical measures like educational programs in

various sectors (justice, administration), the building up of independent mass medias or the supporting of local human rights organisations. The organisation and realization of free and democratic elections are of course also an application of positive measures.

For the Swiss Development Cooperation, positive measures in the frame of "good governance" are not a completely new field. Switzerland emphasised participatory development since the 60ies and has ever since been active in the field of human rights. Here just a few examples:

- In Nepal, Switzerland supports the "Nepal Law Society", an association of independent lawyers, who played a crucial role in the transition towards a more democratic form of government. In addition, a Swiss expert on constitutional law advises the Nepalese authorities in matters of decentralisation.
- In Benin, Switzerland promoted democratical institutions, organising national conferences that ended up in the multiparty system.
- In South Africa, since the early eighties, Switzerland has been supporting several non-governmental organisations in their fight against apartheid, with the aim of abolishing racial discrimination. Switzerland financed among numerous offers the organisation "Lawyers for Human Rights", specialised in the defence of apartheid victims (political prisoners, displaced people, a.s.o.).
- In the Middle East, a similar program is beeing run for five years now in the Occupied Territories. SDC supports local organisations fighting for the respect of the human rights of the Palestine population.
- Switzerland also strengthens the civil society, supporting all forms of local organisations (farmers', castle keepers' and artisans' groupings) in all its countries of activities.
- Last but not least: Switzerland's OSCE (Organisation for Security and Cooperation in Europe) presidency in 1996 opens the possibility to apply all imaginable kinds of positive measures in many different conflict areas.

2) POLITICAL DIALOGUE

The political dialogue consists in continuous contacts and discussion between donor and recipient countries. It can be of bi- or multilateral nature. With this instrument the mutual comprehension can be improved.

The content of the dialogue is not limited to aspects of technical assistance, but can also include other areas such as economic- and commercial-policy and even matters related to the overall political framework. This implies, that not only policy and measures of the recipient country are discussed, but also those of the donor country. The donor countries have to be coherent, because when - in their policy towards the South - on the one hand, they preach free market economy and on the other push protectionistic measures, they are simply not credible. Are we not incoherent, claiming the protection of tropical forests and hesitating on the application of measures stabilising the CO₂-emissions in our countries? And what about the exportation of arms and war material? While our armament industries still export to developing countries we ask for the reduction of the military expenses. And while we fight against corruption in developing countries, in Switzerland one still can deduct bribe money from the taxes.

Instruments of the political dialogue are - among others - the meetings of the consultative-group of the World Bank or the Round Tables of UNDP, where the donor community and the recipient state are sitting round a table, discussing the progress and conditions of cooperation and assistance. Switzerland participates in these meetings with the priority countries of our development aid. But the political dialogue takes also place elsewhere. Let us take the example of Mozambique: Not only is Switzerland participating in the consultative-group-meeting with the Mozambican government in Paris, but our Minister of foreign affairs can also have a discussion with Mozambican's president Chissano in the occasion of the World Economic Forum in Davos, while the SDC-Coordinator in Maputo is discussing with Mozambican's health minister on the effectiveness of health policy.

The political dialogue, as an instrument of promotion of “good governance” is even more effective when linked up with positive measures.

3) DIRECT CONDITIONALITY

Direct conditionality is the third and the most severe form of intervention to encourage “good governance”. Direct (or negative) conditionality means, that the allocation of resources in the frame of development assistance is linked with political conditions.

The DAC underlines, however, that negative conditionality can only be the ultima ratio. It should be applied only when other measures have shown ineffective. For example in cases such as:

- continued and heavy violations of fundamental human rights
- interruption by force of democratisation process
- apparent lack of intention to diminish military expenditure
- total absence of “good governance”, making an effective and efficient assistance impossible.

Direct conditioning of development assistance carries several risks, difficult to anticipate. The danger exists, that by stopping development cooperation, the population already victim of corruption, human rights violations and marginalisation, is further punished by the withdrawal of development assistance (see e.g. Haiti). We are here located in a border area of intervention in internal affairs, where imprudent steps can have a contraproductive effect (population acts in solidarity with the government against intervention from outside).

Conditionality raises another problem: the question of the double standards. Donor countries apparently apply different standards depending on the importance of the supported country. Towards an economically insignificant African country, conditions can be much more severe and rigid than towards China or the South-East-Asian “Tigers”.

That’s why Switzerland is rather hesitant to apply negative conditionality and does it only in exeptional cases; in some cases however there is no other expedient:

- In Bolivia, the cooperation has been suspended during the military dictatorship of Garcia Meza at the beginning of the 80ies; with the exception of the humanitarian aid.
- In Haiti, negotiations on a support of the balance of payment have been interrupted after Aristide's overthrow.
- In Myanmar, the foreseen development cooperation program has not been realised after the government had refused to accept the election results in 1992.
- In Nepal, SDC threatened to break off the cooperation if the absolute monarchy would not accept the wind of changes.
- In the case of Rwanda, development cooperation had to be stopped when the genocide erupted and was replaced by an intensive and significant programme of humanitarian assistance, reconstruction and support in the fields of human rights, state of law and justice.

As mentioned above, the three types of intervention can be combined either simultaneously or one after another. Positive measures and political dialogue, however, have the primacy over the negative conditionality, which has to be handled in a restrictive way.

In addition, applying the presented instruments, several considerations are to be taken into account:

- political measures should - in the framework of operational activity - contain the building up of governance-capacities (capacity building).
- each country should be analysed separately (case by case). There is no ready-made, universally applicable solution.
- for an evaluation of "good governance", trends are more important than fix standards.
- international coordination is indispensable.
- for credibility and effectiveness the coherence of our policies is crucial. (no double standards).

III. CONCLUSIONS FOR SDC'S WORK

What are the consequences of what has been exposed on the Swiss development cooperation? How does the "good governance"-paradigm influence Swiss development policy? Where do we have particularly good experiences and capabilities?

Without any doubt, SDC and the whole Swiss foreign policy are aware of the importance of "good governance". One of our main areas will certainly be the "Capacity building", as we all agree on the importance of a government's political credibility as a precondition for a sustainable economic growth. In this respect, the DAC states: "It has become increasingly apparent that there is a vital connection between open, democratic and accountable systems of governance...and the ability to achieve sustained economic and social development".

But we have to be conscious that a good policy in the area of "good governance" goes beyond the field of development policy, as the already mentioned traps of coherence and double standards indicate. Double standards must be avoided. We can not approach our partners in different ways. Nor can we demand things which we are not able to fulfil and respect ourselves.

The claim for coherency and the rejection of double standards does not only touch the field of development-policy, it also includes foreign economic policy and foreign policy itself. Beyond that, domestic policies such as environment issues are affected in the same way (see i.e. the waste of energy in the north and the objective of a sustainable environment-policy towards the south).

In conclusion, one of SDC's main duties in the domestic area will be to guarantee coherence towards the South, as stated in the North-South Guidelines of the Federal Council's Report on Switzerland's North-South Relations in the 1990's.

In the field of practice, SDC takes care to focus all its actions in an direct or indirect way towards at least one aspect of "good governance". "Good governance" represents in this sense a cross-section theme.

For an even better operational conversion of the "good governance" guidelines into Swiss development policy, we should engage ourselves much more in institutional reform-programs of developing countries. This should be done in an multilateral context, together with other bilateral donor countries or in the frame of an international institution. Switzerland could, in such a context, bring in its various experiences and pioneer activities in the field of federalism and decentralisation.

IV. CONCLUDING REMARKS

During my exposé I tried to make an overview on the "good governance" discussion. The DAC has completed an excellent conceptual work on which SDC's development approach is mainly based. In addition to that, Switzerland has - due to its historical and political background - a long experience in participatory development, which underlines its orientation versus decentralisation and its focus on the strengthening of civil societies.

Berne, 13th June 1996