

Sand, Klemens

Article — Digitized Version

## The socio-political system and development

Intereconomics

*Suggested Citation:* Sand, Klemens (1995) : The socio-political system and development, Intereconomics, ISSN 0020-5346, Nomos Verlagsgesellschaft, Baden-Baden, Vol. 30, Iss. 1, pp. 3-8, <https://doi.org/10.1007/BF02926355>

This Version is available at:

<https://hdl.handle.net/10419/140480>

### Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

### Terms of use:

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

Klemens van de Sand\*

## The Socio-political System and Development

*The traditional focus of development cooperation on economic growth and the transfer of technology having proved insufficient, it would seem that an international consensus on the objectives and essence of development is now emerging which places strong emphasis on participation of the people and on human rights. The way in which this fundamental consensus is to be translated into actual policy, however, continues to be unclear and even contentious.*

Whereas private capital flows into developing countries have attained record levels, the official development assistance of almost all the Western donors is currently on the decline. The unresolved economic and budgetary problems in the aftermath of the recession which hit the entire Western world are certainly at the root of that fall in funding. In Germany, there is the additional strain on the government's purse resulting from the redevelopment efforts in the eastern parts of the country.

"Development fatigue" is, however, also a factor. Development cooperation cannot boast sweeping successes. Rather at this juncture I think we have to concede that the focus of aid on economic growth and the transfer of technology has proved to be insufficient. Structural deficits in an economy and technological backwardness are ultimately just two development problems among many, two of the diseases which afflict many a developing country. A patient with five diseases cannot be given a clean bill of health if only one of the five is healed, particularly if the treatment itself has already sapped valuable strength. The weaknesses of structural adjustment programmes as they used to be designed in their first generation have become obvious in a number of countries from the grave social impact on the poorer sections of the population.

Having established that development cannot be seen in merely economic terms, one can begin to formulate a new political definition of development.

□ The basis for such a definition must be the "development of the creative potential of the people". This concept of development, which is reflected in the official guidelines for German development policy, is expressed in UNDP's 1993 Human Development Report as follows: "The purpose of development is to widen the range of people's choices". Professor Yunus, head of the Grameen Bank in Bangladesh, was expressing the same idea when he addressed a hearing of the German parliament on self-help oriented poverty alleviation with the words, "If society creates an environment that allows the individual to develop his creative abilities, the reduction of poverty is feasible".

The individual is explicitly named in that instance, but the approach thus advocated is necessarily a more socio-political one. The poor should be enabled to develop and not "be developed". They are the subject of development and not the object. "Empowerment" is the new buzz-word on the international aid circuit. Again, in the words of the 1993 Human Development Report, "Development should be woven around people and it should empower individuals and groups rather than disempower them".

□ The second approach to a redefinition of "development" which illustrates the link to socio-political systems has emerged from the recent international debate on human rights. The final declaration of the Vienna Conference states that the substance and the aim of development are determined by human rights. In other words, development is the attainment of civil, political as well as social, human rights. Development, democracy

---

\* Ministry for Economic Cooperation and Development, Bonn, Germany.

and the respect for human rights and basic liberties are interdependent and mutually reinforcing. This statement clearly rejects any restriction of individual liberties in the name of development and refutes the theory that democracy and human rights are a luxury that only the developed world can afford. And the right to development is to be perceived first and foremost as a right that individual and popular organisations can claim from their own government. Of course, the question of human rights, like any other development issue, has to be discussed with regard to, and respect for, the given historical and cultural background of each country and society.

There is now general consensus that this turning point in the development debate would hardly have been possible if the collapse of Communism had not led to a more realistic view of factors standing in the way of development. Current regimes and ruling élites can now no longer blame external factors, such as an apparently unjust world economic order, as the sole reason for the lack of development in their countries. The world is homing in far more closely on the internal factors, with the result that a more differentiated assessment of the causes of underdevelopment is emerging. It is annoying just how much time and energy has been wasted in international discussions because of ideological confrontation.

### **Additional Requirements**

It would seem that for the very first time an international consensus is emerging on the objectives and essence of development. The way in which this fundamental consensus is to be translated into actual policy continues to be unclear and even contentious. Before I move on to the implications for development cooperation, I would therefore like to make a few qualifications regarding this new concept of development.

The first misconception is to assume that the full participation of the people in political and economic decision-making is sufficient to ensure long-term sustainable development. This misconception goes a long way to explaining why the initial euphoria after the resolution of the East-West conflict has now given way to growing disillusionment at one setback after the next. Economic crises and ethno-social conflicts are undoubtedly factors which lessen the chances of consolidation in young democracies, particularly in Africa. Of course, it is neither easy to explain nor to accept that democracy is no guarantee of prosperity: appropriate economic resources, social structures

and an effective educational system are just as necessary.

Setbacks and difficulties of this kind supply ammunition to democracy sceptics. Doubt is cast on the capability and efficiency of democratic systems in solving domestic conflicts and economic crises. Or democracy is made dependent on the existence of certain economic, social and cultural conditions which many developing countries are said to lack. Recent research, but also actual events, while failing to completely refute both forms of criticism, have at least allowed them to be presented in more relative terms: neither takes into account the specific context of a given country or the fact that any process of transition and change is bound to be accompanied by a certain amount of friction and periods of uncertainty.

The argument used so often in international debate according to which donors have only introduced internal socio-political conditions into the development discussion as a way of deflecting attention from their own bad practice also misses the point. Of course, one must not allow the pendulum to swing to the other extreme and permit the industrial nations to shirk their share of responsibility for the increase of mass poverty in a number of countries, to which they have contributed, for example, by their financial and trade policies. But despite the fact that the combination of external and internal factors affects each country differently, one thing is certain: the misery to be found in poor countries in particular has been caused to a large extent by tutelage, poor government, counterproductive state intervention in the economic sphere, debt run up by state enterprises, corruption, repression of minorities and civil war. The last decades have clearly shown that those regimes which abuse civil, economic and social human rights have little to show in terms of development.

### **No Universal Model**

The call for participatory development cannot be interpreted simply as the adoption of a Western model of democracy. This is clear from the simple fact that there is no one single model in the West. France and Germany, for instance, are neighbouring countries. Yet their constitutions are very different. Whilst one is an example of a presidential system with strong centralist tendencies, a glance over the border reveals a federal state where a large degree of responsibility has been devolved to other statal units, the *Länder*.

Just as the uniform "Western model" ready

packaged for export is an illusion, so would a search for a universal model for the countries of the South be in vain. The initial context in which such a development would take place, suffice to compare Brazil, Tanzania, Vietnam and Iran, is unique to each country and the cultural, social and historical differences between Tunisia and Papua New Guinea are at least as significant as between Tunisia and France.

No one can deny that different cultures give rise to different institutions through which the population is given the opportunity to participate in political life. Democracy in any country should, therefore, not be judged in terms of the different constitutional models and political systems elsewhere but must simply display the requisite features of a political order, based on participation and accountability. These include democratic election procedures, freedom of association and of speech as well as freedom of the press and the rule of law ensured by an independent judiciary. These are the civil rights which have been recognised in international conventions for a long time. Above all, we must remember that cultural differences are never a justification for torture or arbitrary action by the state!

Quite another matter is how, and how quickly, the protection of human rights and popular participation can be improved without endangering the economic progress already achieved. This question can only be answered with regard to the society in a given country. Nevertheless, the histories of nation states, be they in the North, East or South, contain valuable lessons, valid for us all.

### **A Never-ending Process**

As the term itself implies, participatory development is a dynamic and – even in the most advanced countries – a never-ending process. Supporting this process is the greatest challenge the élites and above all the government institutions in any country can ever face. Could the relative backwardness of many countries not be linked to the fact that their ruling élites and governments do just the opposite? That is, instead of giving the population the opportunity to participate in development, that some politicians seek to further their own interests by seizing political control over economic resources? As we all know, this phenomenon is not limited to any particular region in the world.

At an international conference on participation in Africa which took place in Bonn in December 1993, the Nigerian Nobel Prize winner Wole Soyinka said in

his keynote address, "Progress on our continent has been blighted by a minuscule proportion of its vast humanity, a self-appointed and self-centred band whose mission is to dominate, by whatever means, but primarily by the very means of our common material resources, at the expense of their optimal development, and at the expense of the bulk of humanity that these minority groups claim to represent". Soyinka underlined that the apparent contradiction between individual rights and the demands of society, commonly cited by the opponents of the universal validity of human rights is almost always an excuse to restrict those rights, for dictatorial purposes. These are harsh words but I would maintain that they depict the historical starting-point for broad-based socio-political development in any country. (They also apply to the feudalism in European society before the French revolution, which persisted in Germany long after that event.)

By contrast, systems based on participation and competition earn income from broadly based entrepreneurial activity. Profits are distributed by means of a pluralistic system of political power and an equitable taxing system. This is why the DAC considers participatory development as essential for social as well as economic progress, because "it strengthens civil society and the economy by empowering groups, communities and organisations to negotiate with institutions and bureaucracies, thus providing a check on the power of government".

### **Decision-making at the Lowest Possible Level**

There is, however, one basic dilemma here. We can see from many countries in the North as well as in the South and East that development is blocked by impediments to participation. The point at issue is how these barriers to participatory development can be removed. The only peaceful way to development is through structural change within the given system, including a redistribution of resources and political power benefiting those who are governed, especially the poor. Such change presupposes that the ruling élites have grasped that extreme disparities in income and social status in the long term almost always lead to unrest or even revolution. Popular participation in economic and social development should, for this reason alone, be in the interests of those in power.

Participation means, as a rule, that all sections of the population have a say in important decisions. It does not mean, however, that each individual in society has the right to participate in each and every

decision to be made. Participation should follow the principle of subsidiarity, that is, decision-making and responsibility must be exercised at the lowest possible level in any given situation. Let me translate this into political practice: the preference for small social entities as the corner-stone of political decision-making implies, for example, the creation of independent chambers of commerce and crafts, the revamping of private banks and savings and loans institutions as a foundation of a financial system independent of government. Responsible and effective local government structures must be created with authority over all or part of the revenue from local taxation.

### Areas for Action

Participation, by its very nature, is not just a topic for discussion within developing countries on the best path to development. As a result of the changes on the global political map as outlined at the outset, it has become *the* issue of the nineties for development cooperation. From a donor's point of view, the ultimate question is, can participatory development be promoted from outside at all, and if so, how?

In general we can state that, to a far greater degree than the traditional form of development assistance, activities which are designed to promote participation must be demand-oriented. If this is not the case, the approach could be blamed for interventionism with the danger of the participatory structures inherent to the tradition and culture of a country being smothered.

I would like to consider four areas for action which I think are crucial to the interdependence of the socio-political system and development:

- ☐ Decentralisation and local self-government.
- ☐ The legal and judicial system, the rule of law.
- ☐ The media.
- ☐ Civil society and non-governmental organisations.

### Decentralisation and Local Self-government

When seeking experience in building decentralised structures and effective local government, it is to local authorities and associations that one should turn and not to central government. Partnerships between towns are a good way of turning this experience to account in the service of participatory development. In Germany we have also mobilised foundations and independent institutions in all fields to engage in partnership arrangements with similar organisations

emerging in developing countries. These programmes, with the financial assistance of the German government, have proved very successful. They encompass a wide range of activities from the partnership of chambers of commerce and trade to savings and credit associations, from employers' associations to rural cooperatives.

These organisations and institutions of local self-government have the important function of mediating between government and the governed, and also between government organisations themselves. To do so, they require a sound legal framework embodying clear rules and functioning institutions which ensure their appropriate application.

### Legal and Judicial System

The rule of law and lawful governance are not only indispensable for the safeguarding of human rights, they are also the corner-stones of economic and social development. Reliable government and equal access for all people and social groups to an independent, impartial judiciary are necessary to enable private economic units to plan rationally and minimise transaction costs. Private entrepreneurs, especially very small ones, cannot develop unless their property rights are safeguarded (e.g. as a prerequisite for loans) and the rights and duties laid down in private contracts are enforceable. If a country wants to foster private enterprise, it is of the utmost importance that transparent and reliable legal and judicial systems be established. It is amazing that many governments throughout the world are calling for foreign investors, but ignore the ample evidence showing that foreign capital tends to shy away from risks related to unreliable administrative and judicial procedures.

I would like to take India as an example to illustrate certain features which are common to many countries. The courts in India are completely overburdened by work at every level. This is certainly not an indication of excessive litigious zeal on the part of Indians, but rather linked directly to the number of judges: India has a total of just 11,000 judges, compared with around 13,000 in Germany, a country with a population one tenth the size of India's. Perhaps it might make more economic sense in that particular case to take the focus of financing away from physical infrastructure and to invest in more judges and better working conditions for the judiciary.

With regard to external assistance, the principle of help towards self-help applies here as elsewhere. Advice from outside only makes sense if a

government is prepared to make the requisite financial and administrative efforts itself to improve the legal position of its citizens and the legal environment in which entrepreneurial initiative can flourish. Examples of foreign aid include advice on trade legislation, investment policies and property rights, the creation of land registers to establish ownership as a basis for the development of private agriculture and support for legal advice centres set up to help people who would otherwise be unable to assert their rights in court.

### The Media

Popular participation in political decision-making processes or in the economic process can only become a reality if people are sufficiently informed about, and can openly discuss, their opportunities and entitlements, and political, economic and social procedures in their country. For that there needs to be a free press, or more generally speaking, a free media system.

In modern societies, one of the most important institutions for detecting and correcting the errors of political and economic leaders as well as bureaucrats is the press. The press should be the people's voice, not "his master's voice". By exposing wrong-doings, a free press encourages accountable behaviour and discourages corruption. Given the important role of the mass media, one must accept also that there are certain disadvantages in having a free press, e.g.

unfair criticism, polemics or even disinformation. It must be said, however, that open competition and debate among various parts of the media can lead to some self-regulation.

Unfortunately, support for independence in the media world, e.g. by training journalists and editors, is an area that has not as yet received the attention it deserves within development cooperation. I must stress here, however, that we are dealing with an issue of great political sensitivity. For this reason we must examine on a case-by-case basis whether cooperation is exceeding its bounds and moving beyond the terms on which both partners agreed. In general, projects with foreign backing are only possible and worthwhile where pluralistic reform is tolerated by the government and the leading social groups.

### Civil Sector and NGOs

The last two decades have seen a proliferation of NGOs on the world stage both as a result of the criticism levelled at bilateral and multilateral cooperation and also because of the greater understanding of the link between development and participation. In the last two years the term "civil sector" has become a buzz-word in the international debate on development.

Many governments in recipient countries have reacted to this state of affairs by officially creating so-called NGOs which are in fact answerable to a large

Bernhard Fischer (ed.)

## Investment and Financing in Developing Countries

The authors of this reader analyze some of the most pressing themes in the complex interlinkage of investment and financing in developing countries.

Rasul Shams, Investment, Finance and the New Theories of Economic Growth • Joachim von Stockhausen, Credit for Small Farmers in Developing Countries: A Never Ending Story of Disillusion? • Bernhard Fischer, Financing Small Enterprises in Developing Countries: Experiences and Policy Issues • Michael Atkin, Stock Markets in Developing Countries: Finance for Firms or Gambling for Speculators? • Peter Dittus, Finance and Corporate Governance in Eastern Europe • Helmut Reisen, Public Finance in Developing Countries and the Attraction of Foreign Capital • Peter Nunnenkamp, The Return of Foreign Capital to Latin America: Good News from the Reform Front or a Case for Policy Intervention? • Maxwell J. Fry, Foreign Direct Investment, Financing and Growth • Bernhard Fischer, Prerequisites for Financial Opening in Developing Economies – A Microeconomic Perspective.

1994, 236 p., paperback, 58,- DM, 452,50 öS, 58,- sFr, ISBN 3-7890-3209-3  
(Veröffentlichungen des HWWA-Institut für Wirtschaftsforschung – Hamburg, Vol. 6)

 **NOMOS Verlagsgesellschaft • Postfach 610 • 76484 Baden-Baden** 

degree to state bodies. This in turn perpetuates the top-down approach which has over the last years lead to innumerable trade unions, village development programmes and mass movements etc., all very much run under the tutelage of the state. As we all know, these expensive programmes have been abject failures because they were not true "organisations of the people" and were therefore not accepted by the poor. Worse still, these QUANGOs, as they might better be described, have tarnished the image of freely organised self-help. This criticism can be directed, needless to say, at bilateral and multilateral donors, just as much as at recipient governments.

From the rather painful history of development cooperation we know that one-sided, fashionable approaches and miracle cures do not hold water. For this reason alone we cannot afford to swing in entirely the opposite direction and pin all our hopes on the bottom-up approach. Participatory development is not the preserve of private organisations; the state holds an equal share in the process. The participants at an international round table on "self-propelling growth in Asia", organised by the Indonesian Secretariat Negara together with government and non-government organisations from Indonesia, India and Germany in autumn 1991, identified the action necessary as follows: "All actors in the development process, that is national Governments, international donors and NGOs should commit themselves to poverty alleviation as their overall priority and towards a truly participatory, pluralistic concept of development. They should make their commitment and relevant policies and programmes transparent and accountable, and they should contribute towards institutionalising dialogue and exchange of experiences among all actors".

How government and non-government activities can go hand-in-hand depends of course on the political and social conditions prevailing in a given country. Let this not be misunderstood: by hand-in-hand I do not mean that the projects by NGOs in the Southern hemisphere should be directly financed by the governments in the North without any involvement of the partner governments. It might, however, be worth allowing NGOs in the South to assume responsibility in part for the planning and implementation of development projects. This concept has several important prerequisites:

- ☐ the consent of the Southern governments;
- ☐ voluntary participation by the Southern NGOs on a

contractual, i.e. equal basis so that the NGOs do not function merely as donors' consultants;

- ☐ the involvement of only such NGOs as comply with the criteria of participatory development, namely legitimisation through their members, a broad impact and sustainability, demonstrated through the improvement of the income earned by the poor.

In Asia in particular there are already many examples of such a division of labour. One example from German development cooperation is the Maharashtra Watershed Development Project in India where a state development bank and other authorities have signed a contract for a long-term development programme with a local NGO. The approaches used in Indonesia are also very innovative, for example, the project "Linking Banks with Self-help Groups", supported by the state Bank of Indonesia and bilateral assistance from Germany, and not forgetting the IDT project. Within the broad poverty alleviation strategy of the Indonesian Government, IDT is a programme, or perhaps I should say process, in which government bodies work together with self-help groups. This programme is a prime example of the current thinking in the international development debate on the basis of which participatory development must function as a process or as a movement, where the activities of government and non-government organisations complement one another.

Obviously, this concept places high demands on all parties involved. Above all it implies that multilateral and bilateral donors must also find their way to practising real partnership and sharing responsibilities.

### Conclusion

Despite all the setbacks, 3 billion people now live in regions that have, by virtue of political and economic reform, either already achieved growth rates of over 6% or expect to do so in the near future – growth rates of which most "traditional" industrial countries can only dream at present.

Correspondingly, important private capital, which can serve development, has begun to flow and, in terms of what can be achieved, it surpasses state development by far. It would be fatal if this new departure were not to be accompanied by further advances in the socio-political systems, anchoring development in participation and respect for human rights, and making optimum use of the human skills available. Only participatory development can lead to social peace and long-term economic progress!