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DEVELOPMENT COOPERATION — THE SWEDISH EXPERIENCE AND NEW TRENDS

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by

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We often marvel at the speed of the technical evolution of the post World War II era. The jet age, the computer age, the nuclear age etc.

It is no less remarkable how fast the political evolution has been. In some 35 years vast colonial empires have been dismantled. Huge areas with big populations which served as appendices to European countries have become politically emancipated and are groping for their own future — with successes and failures.

The League of Nations was a small, largely European, club. The United Nations is now an almost universal organisation, cumbersome to operate, but representative of the whole bewildering diversity of our world. Only a few limited areas are still not free.

We welcome the emancipation of nations. It is a victory for freedom, justice and equality. We treasure our own independence and recognize that others have an equal right to theirs.

But from the political emancipation there is a long way to economic and social emancipation. It requires enormous efforts in the fields of agriculture, education, health, industry, science and technology. The greater part of that effort must be made by the developing countries themselves. And there is no set pattern to strive for. Considering the shortcomings of our Western industrial societies, it would be presumptuous of us to hold ourselves
out as models. The Communist industrial countries tend to show no such modesty, but I think they should.

Even though we should not boast our own systems as models, we need not be without views. I think we should consistently stand for the ideals of the Enlightenment: rationality and humanity. This is the standard by which political patterns anywhere can be measured. And it is a standard which has been well articulated in the Declaration and Conventions on Human Rights: the political and the economic and social.

The question of the guilt of the Western world for the misery and backwardness of the underdeveloped countries is often discussed. Perhaps with good historical reasons. But I don't think this is a very fruitful approach. On the other hand I think that just as we cannot accept that parts of our own countries remain in misery, the world community cannot show indifference to its underdeveloped areas. If we sincerely believe in the equality of man, we must draw the logical economic and political conclusions. Hence the underdevelopment is a problem for the international community to tackle, in addition to being a problem for the underdeveloped countries themselves.

It follows from what I have said that I think there is fundamentally a moral duty to assist.

This is the first and most important Swedish experience. Our aid programs were started not by the Government, but by popular movements, religious and others. They were moved by a spirit of brotherhood. Gradually their contributions, which were and still are, substantial, were surpassed by the state. But the most important pressure groups for this were the youth organizations. They were moved not by a wish to promote Swedish exports or the Swedish way of life. They were moved by solidarity, idealism.

Today we recognize that the attainment of the 0.7 or 1 % of GNP target is only a part - an important part - of
our aid obligations and we know that our policies in many fields, trade, agriculture, technology etc. are of equal importance and that we need to promote contacts between our industry and the developing world. We also know, however, that we must tread very cautiously not to raise a suspicion in the public that we are, in fact, supporting Swedish exports rather than supporting development. If such suspicions were raised the will to support our aid programme could be undermined.

This underlying support for our aid programme has some important consequences for its structure and contents.

a) Although not explicitly required, our bilateral aid is geared to 80% to the poorest countries in the world (i.e. countries with a GNP per capita of less than $400). They are most in need. They are also sadly trailing behind. The economic situation and prospects of the great majority of the least developed countries are indeed very bleak. Using constant dollars at 1976 prices the gross domestic product of this group of countries has grown from a level of $123 per capita in 1960 to only $140 in 1978.

The LLDC:s are furthermore rapidly falling behind the group of developing countries as a whole. In spite of increased efforts to assist these countries the gap is widening. In 1960 the average per capita income of the LLDC:s was only one third of the average for all developing countries, by 1978 it has fallen to one fourth the general average, and if the trends of the past two decades were to continue, by 1990 the least developed countries would average only one fifth of the per capita income of the entire group.

Consistent with this policy of gearing our aid to the poorest countries, we are phasing out our aid programmes to Tunisia, Portugal and Cuba.

b) An explicit requirement in our aid policies is to promote "economic and social equity" besides economic
growth. This is to say that we wish our aid to contribute to improvement in the situation of the poorest groups. This is not easy to attain in practice. Evidently the ambitions and policies of the government in the recipient country are of key importance.

c) An other objective of our aid is to promote economic and political independence. This objective is an articulation of the wish to support movements such as ZANU, ZAPU and SWAPO – to take examples.

The promotion of democracy is yet another objective. We have to recognize and do recognize that democracy, such as we know and treasure it in Western Europe, is not easily established or maintained in underdeveloped countries. What we can ascribe importance to, however, is the degree of respect for human rights, the degree to which popular participation is sought and attained. Again the interest in this feature resides in the moral wish to promote the welfare and dignity of the underprivileged.

In order to achieve a continuous and increasing flow of official development aid from Sweden, parliament in 1968 took the most important decision that during the seventies the target of one percent of GNP should be reached. This meant a rapid increase in Swedish development aid and it also means that today, within a very different economic situation, we have a stable basis for our ODA.

In 1974, Sweden became the first industrial country to reach the international target of 0.7%. The 1% figure was reached in 1977. Sweden's total development budget for 1980/81 will exceed 5 billion Swedish kronor.

Information to the public has no doubt played an important role in mustering support for and political unity as regards development assistance expenditures. This information is encouraged by substantial amounts being available from government sources.
For public information on development problems and on developing countries, an allocation of Skr 20.9 million is proposed for fiscal year 1980/81. Or about $ 5 million. It is not simply a budget for propaganda, however, two-thirds of this amount - Skr 14.3 million - are channelled through various non-governmental organizations, such as trade unions, educational associations, co-operative movements, etc. with no control of its use.

The aim of the information activities is to increase the public awareness and knowledge of developments in the Third World and of the interdependence between the developing countries and the industrialized world. Such public awareness is a pre-requisite for broad and general support for the Swedish foreign policy. Naturally, the public support for our aid programme is sensitive to reports as regards the results of development projects. People want to see results. It is our responsibility not least in furthering support for the overall developmental cause, to make every effort to succeed in the implementation of every individual project.

In order to achieve such an objective with limited administrative resources our bilateral cooperation has been limited to a smaller number of countries. At present twenty. Major recipients are: Tanzania, Vietnam, India, Mozambique and liberation movements in Southern Africa.

In addition to our major bilateral development cooperation programmes, we have embarked upon limited programmes for cooperation with a limited number of other developing countries.

Funds for such programmes are used to strengthen cooperation, which is of common interest to Sweden and to a developing country, mainly in the field of transfer of technology. Such funds can be used to finance educational projects, consultancy services and institutional cooperation. The amount proposed for such cooperation is very
small, however. Less than 1% of the total aid budget.

In its early years Swedish development assistance was programmed on a project basis. This continued even after the adoption of a policy in the middle of the 1960's, whereby available resources were to be concentrated on cooperation with a limited number of countries. When the transfer of resources to these countries acquired greater financial significance it was felt that a comprehensive approach to the resource planning for each country was required.

At the same time a need was felt to find sure ways of discerning the priorities of the recipient government with regard to programmes and projects to be supported by foreign development resources. Like other donor countries, Sweden began to evolve a system for country programming during the early 1979's. This system is still in operation.

Now one might ask if the principle of letting the recipient countries decide about the orientation of the development cooperation should be modified by priorities that are considered to be particularly urgent by the donor. In the Swedish view such priorities are family planning programmes, improvement in the status of women, cooperative movements, employment questions, food supplies and energy. As donors we should, of course, provide information on our experience and on Swedish institutions and organizations interested in and qualified for taking part in development cooperation. In the dialogue with our cooperation partner we should also call attention to questions to which we attach particular importance. Among these are the above-mentioned areas. Included are also measures for pollution control, reforestation and soil conservation projects, both in connection with individual projects and in general, required to preserve or restore the ecological balance.

The ratio of Swedish bilateral and multilateral aid is one to two/thirds. No major changes are foreseen over the coming years. We believe that our participation in international discussions should reflect the same objectives as
our bilateral assistance. Almost 100% of Swedish development assistance is extended in the form of grants.

The major part of Swedish assistance is untied. In order to ensure the best possible use of the funds for the recipient country, procurement is, wherever practicable, to be effected through international competitive bidding or quotations.

Swedish tied aid is defined as grant aid tied to procurement of Swedish goods and services. The tied aid component also includes disaster relief in the form of food products or other Swedish products as well as Swedish contributions in kind to international food programmes. For fiscal year 1980/81, the proportion of tied aid in total assistance allocations is proposed to remain at 14.8% or Skr 740 million.

How the tied aid extended under development cooperation agreements is to be used is decided upon by the recipient countries themselves. The recipient can choose any Swedish products, which they find competitive on the world market.

Sweden has taken initiatives within the OECD to reach an international agreement on the untying of aid or, at least, on reducing the tied portion of international aid.

Sweden's relations with the developing countries have become increasingly diversified and at the same time more extensive. This applies not only to traditional partners in trade cooperation such as Brazil, India and Mexico, but also to many others. This trend has been especially noticeable as regards the main recipient countries of Sweden's bilateral assistance, the so-called programme countries. Direct Swedish assistance to these countries has often given rise to other forms of cooperation, not least in the commercial field.

There is also a general realization that a new phase more marked by mutual interdependence between the developing
countries and the industrial countries has set in. It is against this background that we have begun to speak of a policy for overall relations with various developing countries e.g. trade, shipping, industry, culture etc. It is no longer just a question of aid.

To promote this comprehensive approach in our relations to the developing countries, the Government has set up a Consultative Group of undersecretaries to discuss overall relations with developing countries.

It is in the light of this aim of broadening our relations that one should view the growth in the past few years of a number of new offices for the promotion of various relations with the developing countries.

Apart from SIDA, our main agency for bilateral aid, these agencies are the Swedish Agency for Research Cooperation with the Developing Countries (SAREC), the Swedish Import Promotion Office for Products from Developing Countries (IMPOD), the Commission for Techno­cal Cooperation, and the Swedish Fund for Industrial Cooperation with Developing Countries (SWEDFUND).

Other instruments for promoting co-operation of mutual interest to Sweden and to certain developing countries are mixed commissions and joint working groups, which have been set up with some ten countries in and outside the circle of countries receiving regular aid. Our attitude to such instruments is a bit ambivalent. We know that they may be needed to stimulate and to smoothen relations. At the same time there is a risk of bureaucratization. The Ministry of Commerce has initiated a review of some questions relating to general agreements on bilateral cooperation with developing countries.

Another inquiry, also aiming at the promotion of bilateral relations, deals with the question of so-called mixed credits. This study also examines the possibilities of introducing a system of export credit guarantees, intended
primarily for poor countries receiving Swedish bilateral assistance, which are facing special difficulties. By mixed credits is meant commercial credits which are subsidized by the State beyond the so-called consensus level.

The developing countries can show many impressive advances. For example there has been a steep increase in the number of people enjoying an education. During the twenty-year period 1950-70 the number of pupils attending primary school in the developing countries more than trebled. In 1950, only one-third of the adult population of the developing world was able to read and write. Today, over a half can. Between 1950 and 1970 the average length of life in the developing countries increased from 40 to 50 years.

The high birth rates have been reduced in many developing countries. In the struggle against the major diseases, highly significant results have been achieved in some cases. The prime example is smallpox.

In the seventies the total production of the developing countries has risen on average by more than 5 per cent annually. The quickest growth has been in oil-exporting developing countries and in developing countries with a fairly rapidly growing export of industrial goods. The darkest picture is formed by the poorest developing countries.

There are, also, several serious new dangers to the sustained development in the third world and to the expansion of global economic growth. Examples of these problems are environmental threats, rapid population increases, food deficits, energy costs and debts.

In recent years, there has been a rapidly growing awareness of the interaction between environment and development.

In the developing countries the increased population
pressure contributes to overexploitation. In some countries this is due to their need to export timber and agricultural products. The need for fuel, timber, and arable land has also led to the devastation of forests. In a quarter of a century the world's forests have been nearly halved. The most serious deforestation has taken place in the tropical rain forests of the Third World. Only two per cent of the forest cut in Africa is replanted. The water retaining capacity of the soil is thus diminished. Deserts increase by as much as 5-7 million hectares annually. Arable land is in some places under such strain that it is incultivable for a long time to come. Millions of poverty-stricken people see their means of support undermined.

Increasing attention is being paid by international bodies to the interaction between development and environmental requirements. On Swedish initiative, a UN symposium on these relations was held in Stockholm in August, 1979.

Sweden seeks to ensure that issues concerning resources and environment are given a prominent place in the strategy for the Third Development Decade.

According to the UN Food and Agricultural Organization (FAO) the world's food supplies are as precarious today as before the food crisis in the early seventies. After a few good years the world's total agricultural production has stagnated. Global consumption again exceeds production. The growth of production in the developing countries has not kept pace with the growth of population. This trend will have serious consequences, particularly in the poorest countries. There is a threat of malnutrition spreading and becoming acute in emergency situations.

Food imports are rising rapidly. Increased prices in 1979 alone are expected to add 2 billion dollars to the cost of the developing countries' gain imports. The present grain reserve of the surplus countries cannot be a substitute for international arrangements to strengthen world food
security. A long-term solution necessitates an expansion of the developing countries' own production capacity. There are reasons to assume, however, that food aid in the foreseeable future will play an important role.

Despite the deterioration of their trade balances after the rise of oil prices in 1974, most oil-importing developing countries have continued to pursue an expansive economic policy. Through increased commercial loans, in particular the credit-worthy countries, which had already started an industrialization process, could increase their imports from the industrialized countries, and thus maintain a fairly high rate of growth. The greater the debts incurred by a developing country, the more necessary has it been to increase its export revenues to cover interest and repayment. The deepening recession of the world economy, has recently put a brake on the export efforts of the developing countries, however, whereas their imports of industrial goods and oil have become more expensive. If this situation persists, a softening of terms on outstanding debts may prove necessary. A reduction of imports in these countries would dramatically obstruct their development efforts and would also add to the economic problems of the exporting industrialized countries.

The substantial rises in oil prices in 1979 and 1980 hit the non-oil-producing developing countries very hard. The balance of payments for nearly half of these countries is expected to deteriorate drastically owing to the higher oil prices. The total deficit on current account for the non-oil-producing countries amounted in 1978 to 31 billion dollars. For the year 1980, the deficit might reach 75 billion dollars.

The energy needs of the developing countries will grow very rapidly, owing to their on-going industrialization and quick growth of population.

Rising volumes and prices of energy imports absorb a growing proportion of the export income of the non-oil-
producing developing countries and cause serious strains in their balances of payments. This may have an adverse effect on their long-term development plans. Other sources of energy supply in the developing countries also cause problems for their development. Excessive use of non-commercial types of energy, such as wood, agricultural waste and dried dung, may have serious detrimental effects on the environment and on agriculture.

For this reason it is important that the industrialized countries limit their oil consumption and develop and use other sources of energy.

A vital task for many developing countries is to develop indigenous energy sources, both conventional and unconventional.

There is growing awareness of the need for increased international cooperation in respect of energy supplies. One sign of this is the UN decision to hold a conference on new and renewable sources of energy in 1981. In Sweden a committee has been appointed to prepare for the conference. The conference should concentrate on the question of the energy requirements of the developing countries and the scope for cooperation between industrialized and developing countries. Special attention should be devoted to the situation of the poorer countries.

Since the mid-seventies a number of changes have taken place, which point to new dimensions in the North/South dialogue. It is no longer possible to speak of developing countries as a homogenous group.

The developing countries have chosen to stand united at international conferences. The positive aspect of this negotiating strategy is readily understandable. But it cannot conceal the existence of several groups of developing countries with very different interests and needs.
Another new factor which affects the North/South situation issues is the growing mutual interest and common responsibility for continued global economic expansion through the great readjustments and strains brought about, in particular, by developments in the oil sector.

The states of the world are faced with the task of creating a functioning international economic order, in which countries or groups of countries with different cultures, scales of value and goals must have the ability and right to influence the course of events.

A proposal was presented to the UN General Assembly in the autumn of 1979 for a global round of negotiations on issues relating to commodities, energy, trade, development and monetary and financial questions. Despite some hesitation on the part of some industrialized countries the proposal was adopted and definite preparations have now been started with a view to launch global negotiations, under the aegis of the UN, at the Special Session of UN General Assembly, in August this year.

From the outset, Sweden has been in favour of the proposal for global negotiations. We are convinced that the interdependence of states now calls increasingly for international cooperation in order to create and maintain a stable and well functioning world economy, while at the same time taking special note of the problems of the poorest countries. We have reasons to try to give a central place to energy questions, since they are of significance both for industrialized and developing countries. How the negotiations are to be conducted remains to be seen. In our view existing negotiating fora should be utilized to the greatest possible extent. In addition, however, some central body will be required, in which priorities can be determined and compromises be reached. Sweden will seek to play an active and constructive role in this work. An important task, as noted, will be to insist on the growing aid requirements of the poorest developing countries.
At the same time as the preparations of the Global Round are intensified, work is being done on an International Development Strategy for the eighties. The intention is that the strategy should be adopted by the Special Session of the UN General Assembly in the autumn of 1980. In this work, which started in the autumn of 1978, Sweden had directed attention in particular to three spheres:

- mobilization of the developing countries' resources, which calls for productive employment, better education and health services;
- management of available resources having regard to the requirements of ecological balance, and
- increased transfer of resources, particularly to the poorest countries.

Most developing countries hesitate to include domestic factors of the development process when working on the new strategy. They consider it an interference in a country's internal affairs. Such objections must naturally be taken seriously. In the Swedish view, however, these aspects are necessary for a relevant discussion on the development process. The decisive North/South issues are manifestly concerned with the interaction between international changes and measures for adjusting to them, both in rich and poor countries.

One of the substantial recent contributions to the international North/South discussions is the report of the Brandt Commission.

Some might perhaps see the report as a "shopping-list" without firm priorities. In my view, however, the general approach to North/South matters is extremely constructive and can hopefully serve as a conceptual frame-work for the North/South discussions ahead.

An important aspect of this general approach in the Commission's Report is the emphasis on interdependence,
the insistence that the present economic difficulties in the OECD countries in no way constitute an excuse for abstaining from development cooperation, but — quite to the contrary — makes expanded development cooperation all the more essential.

Due to the perspective of interdependence the concept of massive transfer of resources is given a prominent role in the report. From a Swedish point of view, this is welcome. Considering the present enormous current account deficits of developing countries — on top of the alarming level of the debt burden — and the even more enormous projected surpluses of the OPEC countries, recycling becomes a natural point of departure for the discussions on massive transfers. It is doubtful whether private banks again can perform the recycling function. Therefore, we think a more active participation by e.g. the World Bank might be worth considering.

The Brandt Commission also deals with automatic transfer of resources, a matter which will receive increased attention, if the ODA performance of the OECD countries continues to lag far behind the agreed 0.7 per cent target. I feel a great deal of sympathy for the Commission's discussion on this point, even though the technical aspects of the proposal are still unexplored.

It is also very positive that the Brandt Commission takes a firm stand against protectionism as a major threat to the long-term interests of developing and developed countries alike.

We have not yet been able to study the proposals of the Commission in detail, but the very fact that such an eminent group of statesmen — from different countries and with different ideological outlooks — have been able to agree on the Report and the Action Programme is in itself a streak of hope.

The Report strongly emphasizes that a solution of the
North/South matters is a moral imperative and matter of survival for mankind. The sooner this is generally recognized, the better. If it is not, reality will force this insight upon us in a painful way.

Finally, let me just say a few words on the role of the smaller industrialized countries and the North/South dialogue. Such countries have political and economic reasons to promote international cooperation. They also have an interest in contributing to the creation of a functioning international order, in which countries and groups of countries with different cultures, scales of value and goals can have the ability and right to influence the course of events. We have also special possibilities. I think we can and must try to act as bridge-builders between North and South in order to avoid an increased polarization.
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