



A New Strategy for Development Cooperation

Far from achieving any sort of breakthrough in shaping the global agenda, the G-8 summit in Germany was once again largely confined to collective declarations of intent. It is, of course, unrealistic to expect a solution to important global issues from such a short meeting of the world's leaders. Perhaps the most noteworthy success of the summit in Heiligendamm was the dialogue with African nations about future development cooperation, which raises the hopes that development assistance may not only become more sizeable, but also more effective.

Many of the previously deployed efforts have failed to achieve their goals due to a lack of focus and insufficient coordination on the international level. Hardly any of the programs have undergone a scientific evaluation. Furthermore, corruption in many recipient countries has continued to cause much-needed aid funds to trickle away. While new initiatives to support the health sector, to facilitate corporate investment, and to fight corruption in developing nations are certainly applaudable, these efforts cannot be successful in the long run unless close attention is paid to the needs of the African labor markets.

Globalization has propelled economic growth all over the world, but it has also made individual income less secure – most noticeably in African nations that still lack an effective system of social security. High unemployment rates – particularly among young people – go hand-in-hand with an insufficient supply of jobs providing a living wage. Since new jobs are often created in low-productivity sectors, they are mostly low-paid and fail to provide a way out of poverty. This problem will be aggravated by the current population trends: While the labor force in many industrial nations is shrinking, the working-age population in most African nations keeps growing at a rapid speed.

“Poverty reduction through employment” is the silver bullet to efficient development. Well-targeted, internationally coordinated projects can contribute to modernizing the often inefficient and rigid labor market structures of de-

veloping nations. A lack of effective unemployment assistance, combined with insufficient labor market flexibility, leaves a considerable potential for employment unused. Special attention must be paid to the vast informal labor markets that exist in African nations. It is unlikely that their role will decline in the future.

Moreover, we need joint efforts to deal with the demographic disequilibrium between Africa and the western world. Better training, better jobs, and higher economic growth will even further increase the emigration potential, since the propensity to migrate is greatest among young, better-educated people with financial means. This is why development strategies must be systematically dovetailed with migration policies. For instance, short-term labor migration from developing nations should be encouraged as well as entry for education and training purposes. At the same time, skilled workers trained in the west must be provided with strong incentives to return to their homelands.

Development cooperation must incorporate all of these elements in order to have a long-term impact. This also means that the markets of industrialized nations must become more open to the products of developing countries. For the sake of credibility, we need to get rid of such anachronisms as trade barriers and subsidies. The western nations cannot simply buy themselves out of their own sins by announcing more development funds.

In sum, international development strategies desperately need new impulses, a new focus, better coordination, more exchange between academics and policymakers, and a more critical evaluation. The research community can and must make a substantial contribution to the reform of development policy. To this end, IZA has been coordinating a global network of economic and development experts on behalf of the World Bank.



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