



Economic Development and Employment

Economic policy advice for sustainable development

The challenge

The global economic and financial crisis of the last few years has brought the risks and limits of an increasingly globalised world economy into sharp focus. As a result, developing an appropriate economic policy is becoming an increasingly significant issue for many governments. The aim is to achieve a socially and environmentally sustainable policy safeguarding macroeconomic stability and boosting growth. Creating an economic policy of this kind entails a range of challenges. For low-income countries, providing public services, promoting pro-poor growth and fighting extreme poverty are priorities. In contrast, it is becoming increasingly important for middle-income countries to integrate themselves into global economic relationships, modernise their economies and pursue structural change. Emerging economies are focusing on overcoming the social and environmental challenges associated with growth, while transformation countries are primarily concerned with matters of economic constitution and regulatory policy. Last but not least, resource-based economies face the task of ensuring good governance and making full use of the potential of the resource sector for development, diversification and broad-based impact.

The key element of a modern economic policy, in all categories of countries, is the **promotion of framework conditions** conducive to private-sector development, as entrepreneurial activity within properly functioning markets supports employment and growth. Sensitively developing such conditions leads to higher levels of employment, which play a primary role in increasing the purchasing power of poor populations.

Our approach

We implement most of our economic-policy-advice projects on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), but we also work on behalf of other German Government ministries, as well as being commissioned by international institutions.

In order to meet the challenges of economic development in developing and emerging countries in Africa, Asia, Latin America and Europe, we focus on advising countries at national level, but also provide advice at local, regional and supra-national level. Structural changes enable lasting results to be achieved. Broad-based economic growth requires legal foundations geared towards the market economy, responsible, regulated institutions, and reliable administration. Our advisory services are based on the **social and ecological market economy** model, which is well established in Germany. Core economic and financial policy areas must also be structured in such a way as to provide the right incentives. Protected (tax) revenue provides the necessary scope for shaping public-sector policy in social sectors.

We blend policy and legal advice with advice on organisation, processes and technical issues, as well as with training courses for experts and managers. In this process, we use a range of advisory instruments, including long-term and short-term experts, training and peer-to-peer learning.

Services

We offer a number of services for accompanying economic development and transformation, optimising individual policies and creating the necessary conditions for professional policy implementation.

- We provide advice on planning, developing content for and implementation of national development strategies aimed at **promoting pro-poor growth and reducing poverty**. The focus is on setting up and improving national systems for development planning, ensuring broad participation in the planning process, using measurable results and other monitoring and evaluation tools, and implementing strategies using state budgets. This is particularly important in **low-income countries**.
- In **middle-income partner countries**, we concentrate on supporting private-sector development as well as on promoting an active structural and industrial policy. We advise



our partners on how best to integrate themselves into the global market, for example, when it comes to their foreign trade policy, negotiating issues of international trade agreements as well as their implementation, and influencing regional economic integration.

- We provide specific advice to **emerging economies** on managing, financing and monitoring social security systems and transitioning to a green economy, addressing issues of environmental policy in the process. Environmental fiscal reforms can help to increase the long-term competitiveness of national economies specifically with regards to investments and innovation.
- In order to support systemic change in **transformation countries**, we advise our partners on how to create a legal basis for making the transition to a social and ecological market economy. Our advice covers topics such as commercial law, privatising state enterprises, creating market-based incentives, competition policy and regulation.
- We advise **resource-based economies** on effectively organising and promoting the resource sector and making full use of its economic dynamism, helping to ensure that revenues are distributed fairly, that public investment is secured, and that economic structures are diversified.
- Finally, we offer economic policy advice in **other important policy areas**, such as employment and labour-market policy, macroeconomic stability, and monetary and foreign exchange policy.

The benefits to you

Our proven economic policy advisory services have helped to stabilise and stimulate economic development in our partner countries. Specifically promoting environmental innovation

creates additional employment opportunities, while sustainable social security systems boost domestic demand and reduce social disparities. Strategically improving conditions for the private sector protects existing jobs and creates new ones, helping to reduce poverty. Advice on economic policy reform is provided in accordance with principles of the social and ecological market economy in the context of the global search process for realigning economic policy. As such, all our efforts are focused on the three dimensions (economic, social and environmental) of sustainable development.

A case study

Viet Nam has been a member of the World Trade Organization since 2006. Membership has since seen the country increasingly integrated into the global economy, something which has proven to be one of the greatest challenges to the nation's economic policy. We are working on behalf of BMZ to support Viet Nam by promoting a think tank which advises the government on economic-policy forecasts and impact assessments. This allows tailored political strategies to be formulated and advisory expertise to be firmly embedded at local level. We are also advising the country with an environmental fiscal reform, a promising project, as the environmental dimension of growth is the other major challenge facing Viet Nam. Based on the German model, the country would cut its annual CO₂ emissions by between two and seven percent, generating up to EUR 1.5 billion in additional tax revenues each year, which would benefit the state, the environment, the economy and society.

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