

THE EMERGENCE OF INTERNATIONAL DEVELOPMENT POLICIES IN CENTRAL AND EASTERN EUROPEAN STATES

Simon Lightfoot and Irene Lindenhovius Zubizarreta¹

(University of Leeds, UK and British Overseas NGOs for
Development (BOND), UK)

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¹ Simon Lightfoot is a Senior lecturer in European Politics at the University of Leeds. He is programme director of the MA in European Union and Development Studies. Irene Lindenhovius Zubizarreta is currently working in the advocacy department of British Overseas NGOs for Development (BOND), the United Kingdom's broadest network of voluntary organisations working in international development.



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PREAMBLE

When the Eastern bloc collapsed in 1989, the political and economic transformation of the former Soviet bloc in Europe took place at rapid speed. The support provided by the former Soviet bloc to 'socialist brother' countries or 'friendly regimes' throughout the developing world quickly fell apart, and in a short period of time the ideological and political motives of Central and Eastern (CEE) states behind the development policy they provided to the Third World countries disappeared. However ten CEE states—Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia—have upon accession to the European Union (EU) made a commitment to contribute to the EU Development Co-operation Policy, and in particular to meet specific targets of official development assistance (ODA) as a percentage of gross national income (GNI). They have also pledged to work towards the fulfilment of the United Nations Millennium Development Goals.

This paper examines the emergence of International Development Policy in the ten European Union (EU) member states from Central and Eastern Europe (CEE). Within a short time span these states have had to re-orientate themselves from being recipients of aid to becoming donors. Our research finds that the ten Member States from CEE that have joined the EU since 2004 have made significant improvements in their development cooperation. They have either doubled or significantly increased their ODA since accession and have demonstrated their commitment to the '*acquis communautaire*'. Also, CEE states bring a comparative advantage in specific geographical areas as well as policy sectors.

Having said that, it is clear that much work still remains to be done. CEE states face problems of highly decentralised implementation of development policy in most CEE states' ministries, a lack of personnel with relevant experience and loss of institutional memory caused by high staff turnover. This paper goes on to identify many challenges including issues related to constructing a comprehensive Development Strategy, the creation of a sustainable

² Earlier versions of this paper were presented at the 12th EADI General Conference, Geneva June 2008, and the Assessing Accession Symposium: Central & Eastern Europe in the EU: Silent Partners, Glasgow June 2008. Thanks to participants at both events for their comments, especially Maja Bucar, Laura Cashman, Paul Hoebink, Bogusia Puchalska & Balazs Szent-Ivanyi. We would also like to thank all the officials from the various CEE states and NGOs who agreed to be interviewed. This research was funded by the British Academy (SG-46721) and the Elisabeth Barker Fund, whose support is acknowledged with thanks

institutional framework, meeting ODA targets without using tied aid, broadening the geographical focus of aid and increasing public support for development policies. Last, the paper argues that there are limited mechanisms in place to actively and successfully engage NGOs in CEE states' development cooperation work. Overall, it concludes that whilst we have witnessed the emergence of development policies in the CEE states, the policies are still only in their infancy.

INTRODUCTION

This paper examines the emergence of International Development Policy in the ten European Union³ (EU) member states from Central and Eastern Europe (CEE). Within a short time span these states have had to re-orientate themselves from being recipients of aid to becoming donors. In this article the state of development cooperation in CEE states after accession to the EU is reviewed⁴ with specific focus on the legal framework and institutions of development cooperation policy in CEE states; the aims, targets and focus of bilateral, multilateral and trilateral cooperation policies; and perceptions and attitudes towards development cooperation in the CEE states. It argues that in some areas the prospects have been good, with clearly identified comparative advantages in certain sectors/geographical areas and many states on the road to achieving 'donor' status. However, it identifies many challenges including issues related to constructing a comprehensive Development Strategy, the creation of a sustainable institutional framework, meeting official development assistance (ODA) targets without using tied aid, broadening the geographical focus of aid and increasing public support for development policies.

This research is based upon a number of semi-structured interviews with officials responsible for Development Cooperation in the Permanent Representations of New Member States in Brussels. Interviews were also carried out with officials from the UK's Department of International Development, the Development Co-operation Section at the Belgian Ministry of Foreign Affairs, Trade and Development Co-operation, the Romanian Ministry of Foreign Affairs, DG Development and DG Enlargement. Additional interviews were undertaken with representatives from a variety of Development NGOs and NGO Platforms in both the UK and CEE states. These interviewees were chosen to ensure the primary research data (Strategy Papers, etc.) were still up to date, to provide context for governmental actions and critical reflection on the challenge of development policy for CEE states.

³ The ten CEE states are Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

⁴ Since the situation in many states is changing quite dramatically it is worth noting here that the information contained in this paper is correct as per July 2008.

DEVELOPMENT POLICY IN THE PRE-ACCESSION PERIOD: 'RE'-EMERGING DONORS?

Many CEE states have a long history of engagement with the developing world. During the period of communist rule, the former Soviet bloc provided aid characterised by a 'strong and strategic orientation, concentrating on political allies and friendly countries which were pursuing socialist goals'.⁵ As a result of this history many CEE states see themselves as re-emerging donors.⁶ However, CEE states never really had the same intensity of relations with developing countries as many Western European countries. It is also clear that the situation since transition is vastly different to that of over 20 years ago. Personnel have left ministries and perhaps most importantly the values and practices of development cooperation have changed.⁷ In particular the policies previously adopted by the new member states (NMS) were not oriented toward international 'best practice', with their focus being mainly on technical aid and goods. In 2002 for example, DG Development argued that the NMS might not be so familiar with concepts such as donor practices' harmonisation, selectivity and performance-based allocations, the PRSP (Poverty Reduction Strategy Papers) approach and the shift away from projects to sector/budget support.⁸

The result of this then is how can we judge the responses of CEE states to the challenges of development policy? From the discussion above it appears that the distinction between re-emerging donors, such as the Czech Republic, and totally new donors, such as the Baltic states, is historically true but of little use when comparing the situation in the 21st century. Czech development and humanitarian policy has been identified as 'both new and re-emerging at the same time',⁹ with the need to un-learn the old ways clearly a major priority. Some authors have divided new Member States in Central and Eastern Europe into Visegrad 4+1, the Baltic states and the 2007 enlargement states.¹⁰ Others argue that with the exception of Bulgaria and Romania, who are still in the early stages of establishing a development and humanitarian assistance policy, the NMS can be grouped according to how they responded to the challenge of creating a development policy with some countries seen as slow starters and others appearing to respond to the challenge quickly.¹¹ These

⁵ Maurizio Carbone, *The European Union and International Development*, London, Routledge/UACES, 2007, p. 244.

⁶ Sven Grimm and Adle Harmer, *Diversity in donorship: the changing landscape of official humanitarian aid: Aid donorship in Central Europe*, London, Overseas Development Institute, 2005.

⁷ Balazs Szent-Iványi & Andras Tétényi, 'The role of Central and Eastern Europe in the EU's development policy', Paper presented at 12th EADI General Conference, Geneva, June 2008.

⁸ DG Development, *The EU's Development Policy: The EU's current agenda for development policy and enlargement*, Brussels, European Commission, 2002.

⁹ Interview, October 2007, Brussels, Czech Permanent Representation.

¹⁰ Maria Vencato, 'The Development Policy of the CEECs: the EU Political Rationale between the Fight Against Poverty and the Near Abroad', Unpublished PhD Thesis, Institute for International and European Policy, Leuven, Katholieke Universiteit Leuven, 2007.

¹¹ Lena Krichewsky, *Development Policy in the Accession Countries*, Report 2nd Edition, Vienna, Trialog, 2003.

groupings have been criticised as inaccurate and of having a limited time frame. Finally, at a recent hearing on the NMS and development cooperation in the European Parliament (EP) it was even argued that each country should be examined individually on a country-by-country approach.¹² This paper argues, however, that it makes sense to see all ten CEE states as new donors¹³ despite their different histories and we concur with Bucar and Mrak that there is not enough to base the groupings on. As a result we examine the experiences in all ten states. This macro comparison provides the best overview of the ever changing situation in the states as well as providing interesting contrasts between experiences in policy sectors across different states.

FROM THE TRANSITION PERIOD TO EU MEMBERSHIP

Before we can outline the contemporary challenges it is worth briefly examining the situation in the period between the transition and EU membership. With the collapse of the Eastern bloc in 1989, the political and economic transformation of the former Soviet bloc in Europe took place at rapid speed.¹⁴ Regime change and revolutions, transformations of states and secessions from larger entities took place throughout Central and Eastern Europe. Political systems and economies were fundamentally and rapidly changed; as was the position of an entire region in the international system.¹⁵ By the time the Soviet bloc collapsed, the ideological and political motives behind the development policy to the Third World countries disappeared. During the first half of the 1990s, the focus of the CEE countries was on domestic system transformation, which absorbed most of their domestic resources.¹⁶ Poverty rates in the CEE states soared. As a consequence of this transition period, all CEE states saw their engagement with the developing world and any aid programmes dramatically reduced.¹⁷

One of the factors that forced these countries to start looking outwards again, with development cooperation as part of that, was accession of the CEE countries to major international donor organisations such as the World Bank, the International Monetary fund, and the WTO during the 1990s. The other major factor was of course the possibility of future membership to the European Union. The Copenhagen European Council in 1993 identified the main criteria which were considered essential for obtaining EU membership, including the ability to adopt the *acquis communautaire* that forms the accumulated body of legislation of the European Community on specific policy areas. The candidate countries were expected to adopt and

¹² Maja Bucar & Mojmir Mrak, 'Challenges of development cooperation for EU New member states', Paper presented at the ABCDE World Bank Conference; Bled, Slovenia, 2007.

¹³ They are all seen as new donors by UNDP, although there is a debate as to whether they should just be seen now as member states of the EU rather than new member states.

¹⁴ Sven Grimm and Adele Harmer, *Diversity in Donorship*.

¹⁵ *Ibid.*

¹⁶ Maria Vencato, *The Development Policies of the CEECs*, p. 135.

¹⁷ Maurizio Carbone, *The EU and International Development*, p. 47.

implement each of the 31 chapters. Chapter 26 was devoted to the area of External Relations, wherein development policy was comprised.¹⁸

The way development cooperation policy has been incorporated in the accession agenda has often been heavily criticised. It is argued that some new Member States' governments were not clear about the Union's expectations regarding development policy.¹⁹ Indeed some NGOs alleged that development was treated as the 32nd chapter²⁰ of the accession process, and that low priority was given to the development cooperation. On the attention given to development cooperation policy during accession negotiations, one interviewee argued that 'the Commission should inform NMS at an early stage and get them thinking about development cooperation'.²¹ Responding to this, DG Development said that the Commission did have development on the accession agenda, but that considering the many essential political topics and policies that are discussed during accession negotiations, one cannot expect development cooperation to receive disproportional amounts of attention.²² Indeed it is argued that in many countries development drops down the accession agenda because development is simply not crucial for the success of accession. This is very effectively summed up in the 2002 Trialog policy paper in which it is clearly stated that 'development cooperation constituted neither a priority for the EU nor for the accession countries in the pre-accession strategies'. The result of this was that many future Member States were not informed of the implementation capacities and financial contributions expected of them.²³

DEVELOPMENT COOPERATION SINCE ACCESSION: CHALLENGES FACED BY THE NEW DONORS

This section outlines the main challenges faced by the new donors, in particular the creation of robust institutional and legal structures for development policy with staffing expertise. It also outlines how low public awareness of development issues and a small development NGO sector limit the political pressure for improvements in this area.

The experiences of traditional donors clearly indicate that a well designed policy framework is a necessary precondition for successful implementation of a country's development assistance policy.²⁴ However, prior to accession, the Commission demanded only minimal administrative structures and human

¹⁸ Maria Vencato, *The Development Policies of the CEECs*, p. 140

¹⁹ Sven Grimm and Adele Harmer, *Diversity in Donorship*.

²⁰ The relevance of this is that 31 chapters were negotiated.

²¹ Interview, October 2007, Brussels, Slovenian Permanent Representation.

²² DG Development (2002) *The EU's Development Policy: The EU's current agenda for development policy and enlargement*, Brussels: European Commission.

²³ Trialog, *Policy Paper: Development co-operation in the context of EU enlargement*. 2nd edition, Vienna, Trialog, 2007.

²⁴ Maja Bucar & Mojmir Mrak, 'Challenges of development cooperation for EU New member states', p. 16.

resources for development cooperation in new Member States.²⁵ This meant that whilst some states, such as the Czech Republic, Estonia, and Slovakia put together development cooperation strategies, the rest either had no strategy or short concepts papers, as was the case in Hungary.²⁶ This lack of a formal law makes it hard for Hungary to take part in multi-annual programmes as the budget needs to be approved year on year, making it susceptible to political pressure.²⁷ At the time of writing the law is under construction, which is the case in the other CEE states not mentioned above. Slovenia and Lithuania in particular only produced a development strategy in 2006 and they still, as the Slovenes acknowledge, have 'some work ahead of them'.²⁸ Indeed, according to the PASOS report 'Slovenia has finalised neither a strategy nor resolution on development co-operation policy'.²⁹ In the case of Lithuania, the policy included recognition that there was a need to improve Lithuania's legal basis for development cooperation. Interestingly, Poland has recently incorporated the objectives and framework of the European Development Co-operation policy into its foreign assistance document for 2007-2015.³⁰

Bulgaria and Romania only joined the European Union at the beginning of 2007. On 19 July 2007 the Council of Ministers of Bulgaria ratified a concept paper on Bulgaria's policy on participation in international cooperation development. A Council for International Development, chaired by the Bulgarian Deputy Prime Minister and Minister of Foreign Affairs, was created by the Council of Ministers' Decree on 23 July 2007. In Romania a 'National Strategy on Development Cooperation and Humanitarian Aid' was created in 2006 and a Council for Cooperation and Development will be established as an advisory body assisting the Ministry of Foreign Affairs. A budget for development cooperation has also been created.³¹

The majority of the countries thus have an official document laying out the development cooperation principles and a development cooperation strategy, and those who do not have these documents in place have indicated that work on drafts has started or is in the process of ratification. However, what we do see is that NMS that have already adopted a special law governing ODA are the exception rather than the rule, and that this generally means that development assistance is being regulated within the

²⁵ Interview, October 2007, Brussels, DG Enlargement.

²⁶ PASOS, 'The Challenge of the EU Development Co-Operation Policy for New Member States', Report prepared for EP Development Committee, EXPO/B/DEVE/2007/33 NOVEMBER 2007 PE 385.540 EN, p. 2

²⁷ Beata Paragi, *Hungarian Development Policy*, Paper presented at 12th EADI General Conference, Geneva June 2008.

²⁸ Mariji Adanja, *New EU Donors*, Presentation at Public Hearing of European Parliament, Committee on Development, January, 2007.

²⁹ PASOS, 'The Challenge of the EU Development Co-Operation Policy for New Member States'.

³⁰ Interview, October 2007, Brussels, Polish Permanent Representation.

³¹ Lucy Hayes, *Hold the applause. EU Governments risk breaking aid promises*, London, ActionAid, 2007, p. 43.

framework of existing legislation.³² Another issue is the fact that only four NMS produce annual reports on Development. For example, the Slovak Cabinet annually elaborates the National Programme of Development Assistance that outlines specific activities in each particular year. Discussions are underway concerning the new Slovak mid-term development strategy (valid from 2009). The final issue is that in the EU-15 11 states have a minister for development in cabinet; none of the NMS give their minister such a position, although it must be said that the current levels of cooperation do not necessarily warrant such a position.

While establishing a sound legislative framework and ensuring policy coherence through decent and coherent legislative arrangements is absolutely crucial, the main issue brought up during interviews was another, more practical, one. It referred to the institutional and administrative structure of development cooperation in CEE states. The importance of institutions is vital to maintain political will, as well as to meet the obligations of EU membership. Most member states appear to be going down the road of creating a unit within the Ministry of Foreign Affairs (MFA), with the MFA in charge of the coordination of aid efforts. Whilst many states have created implementation agencies, the problem is that in Poland, Hungary and the Czech Republic, the MFA only oversees a small part of the development budget, with the rest under the control of line-ministries, who are in charge of project and programme implementation.³³ As Burac and Mrak argue this fragmentation hampers efforts to raise public awareness.³⁴ The recent EP report recommended that the CEE states strengthen coordination within their own ministries to ensure an approach to strategy planning with greater internal coordination, noting the good example set by Lithuania, where the Ministry of Foreign Affairs is the lead ministry for ODA planning and management.³⁵

While the highly decentralised implementation of development policy in most CEE state ministries was recognised as an issue, lack of personnel with relevant experience and loss of institutional memory caused by high staff turnover were identified as major obstacles stopping CEE countries' development cooperation policies from improving. As development assistance is traditionally part of the remit of the MFA, staff working in this field often come from the diplomatic service and, therefore, often lack relevant expertise in international assistance.³⁶ An additional problem is the low numbers of staff. The 2006 *EU Donor Atlas* highlights the fact that active staff numbers range

³² Maja Bucar & Mojmir Mrak, 'Challenges of development cooperation for EU New member states', p. 18.

³³ Balazs Szent-Iványi & Andras Tétényi, 'The role of Central and Eastern Europe in the EU's development policy'.

³⁴ Maja Bucar & Mojmir Mrak, 'Challenges of development cooperation for EU New member states', p. 18.

³⁵ European Parliament, *Report on the Challenge of EU Development Cooperation Policy for the New Member States*, 2007/2140(INI) A6-0036/2008.

³⁶ Maja Bucar & Mojmir Mrak, 'Challenges of development cooperation for EU New member states', p. 18.

from five in Latvia to 30 in the Czech Republic. To put that into context Austria has 140 staff and Luxembourg 103 staff. However, since the publication of the *EU Donor Atlas*, Lithuania has increased its total staff numbers from three to 14. Although comparing data on civil servants is often hard due to differing definitions of who actually is a civil servant, to put that in context, Lithuania now has 14 civil servants working on development policy out of a total of 24,000 civil servants, where as Luxembourg 103 out of 5,018³⁷. The Slovak permanent representation indicated that 'it is difficult to keep continuity as the government changes and staff changes frequently',³⁸ whilst the Slovenian representation said 'staff turnover is a problem. There are ten people working on development and only two thirds of them have more than three years experience. There is a serious lack of institutional memory and capacity'.³⁹

This situation was acknowledged as a problem by the officials from the CEE states and the NGOs we spoke to. Two country representatives in particular indicated a clear willingness to act upon this issue: Lithuania and Latvia. 'Lithuania is trying to deal with this by putting in place half staff diplomats and half civil servants, so that some sort of institutional memory can be established through the civil servants and the problem can be overcome', whilst it was noted that 'the loss of institutional memory is a serious issue in Latvia and that is why we would be very interested in having a national development agency that would not have these issues of rotating diplomats'.⁴⁰ But although the institutional framework for development cooperation in new Member States is still very fragile, one must remember that these states started implementing development cooperation policies less than half a decade ago.

Civil society has a critical role to play in development policy.⁴¹ The state of post-communist civil society varies from one new Member State to another, with some states having a more developed civil society than others. In addition to the general issues faced by civil society organisations, development NGOs in the NMS are confronted with specific problems, such as a limited awareness of development issues in the South and a major focus on activities in neighbouring East European countries.⁴² Post-transition the majority of these NGOs were based in Western Europe, so a big challenge has been to build capacity and financial stability in organisations based in the

³⁷ See Paul Hoebink, 'A New member of the G-0.7: Luxembourg as the smallest and largest donor', Hoebink, P. & Stokke, O. (eds) *Perspectives on European Development Co-operation*, London: Routledge, p. 385.

³⁸ Interview, October 2007, Brussels, Slovakian Permanent Representation.

³⁹ It should be noted that many of those ten people were only employed for the duration of the Slovenian EU Presidency.

⁴⁰ Interview, October 2007, Brussels, Slovakian Permanent Representation.

⁴¹ Majorie Lister and Maurizio Carbone, 'Integrating Gender and Civil Society into EU Development Policy', in Lister, M. & Carbone, M. (eds) *New Pathways in International Development: Gender and Civil Society in EU Policy*, Aldershot, Ashgate, 2006.

⁴² Barbara Brubacher, 'European Union Enlargement: Opportunities and Challenges for Western and Eastern European NGOs', Global Policy Forum on-line, 2003, accessed 20 January 2008.

CEE states.⁴³ To build the constituency amongst civil society requires NGOs. The most common and overarching problem that TRIALOG, an organisation set up to identify and strengthen development NGOs in new EU member states, faces in its work is that development is understood very differently in each of the CEE states, and that within the countries there are often great divisions between civil society and government. Furthermore, TRIALOG identified one of the weaker points of civil society in NMS as campaigning.⁴⁴ Civil society actors in CEE are often inexperienced and politically weak compared to actors in most of the old Member States, where campaigning is such a core activity of civil society. This has of course to do with the political history of the CEE states, where NGOs activity was banned or severely curtailed. There is however, some work done on campaigning such as on the MDGs (Bulgaria last year) and on Fair Trade.⁴⁵

There are organisational problems too for many NGOs. The NGO platforms in Bulgaria, Romania, Estonia and Lithuania are still not members of CONCORD, whilst the Hungarian platform is largely Canadian funded, instead of funded by its own government or by European funds. The stronger CEE national platforms are the Czech and the Slovak platforms. These two platforms are both mainly funded by their MFA and unlike other platforms, they are very strong in their finance, membership and policy. The Slovenian platform, SLOGA, is very young and was the last platform to be established in the new Member States. However, it has been very successful in recent years and despite its late start, it is now further developed and stronger than a lot of other platforms. This has also to do with all the pressure, but also the extra help, it received in the light of its 2008 EU presidency. The main problem for the new Member States' national platforms is funding, especially as external funding sources are ending.

Low public awareness has a negative affect on support for development cooperation. In many CEE states this situation is compounded by a view that poverty within each state needs to be resolved first and that EU funds should be used for this purpose. As Vari argues, 'the public thinks of EU accession as an opportunity through which the drawing of EU funds can lead to the growth of the country's welfare and does not consider the external aspects of the EU's double principle of solidarity'.⁴⁶ This conclusion was borne out in a special Eurobarometer survey on EU Development Aid. It found a noticeable disparity between the views of the EU-15 group and those of the NMS. It found that in Estonia, Hungary, the Czech Republic, Latvia and Slovakia, respondents were more reluctant to take a strong stance on the statement that 'it is important to help people in poor countries', although the overall proportion believing

⁴³ Christine Bedoya, 'NGDO Partnership in the enlarged EU'. Seminar on 'EC Development Co-operation: Policy, Instruments & Funding', Vilnius, 9 September 2005.

⁴⁴ Trialog, 2007

⁴⁵ Bedoya, *Op cit.*

⁴⁶ Sara Vari, *Hungarian Development Policy goes forward*, Helsinki, Finnish Ministry for Development Policy, 2007.

that this is important remains very high.⁴⁷ The Eurobarometer report concluded that there appears to be a lack of knowledge in many NMS concerning development issues.⁴⁸

Development policy has specific problems in establishing itself in NMS. The EP report found that one of the biggest challenges will be the implementation of Development Cooperation, which is mainly due to a lack of proper institutions and personnel. It must overcome a lack of political will and expertise. The NMS have a limited development history resulting in low public awareness and a small development NGO sector. To a large extent the biggest spur to the creation of development policies was that of the EU's development *acquis*. To what extent the NMS share this policy priority is a question to which this paper now turns.

THE NEW MEMBER STATES AND THE EU ACQUIS

The policies of the NMS towards development cooperation reflect the need to be able to meet the *acquis*, with some variations. This section examines these policies, in particular the prospects for the new states meeting their goals for ODA, the geographical focus of their aid and the types of projects favoured by CEE states.

The question of how much aid is given by CEE states is clearly linked to the factors outlined in the section above. If development aid has a low priority then one can hardly expect huge amounts of money to be dedicated to it from governmental funds. However, we must also consider the fact that the CEE states have undergone a major economic transition to a market economy. This transition resulted in widespread unemployment and social inequality. We need to consider the fact that as late as 1999 Poland was the third largest recipient of EU aid and that many of the CEE states are still eligible for World Bank borrowing.⁴⁹ Slovenia, the Czech Republic, Estonia, Lithuania and Hungary are now included amongst the developed states, but Slovakia for example only asked the World Bank to be included amongst the developed countries in April 2008. This reclassification is based upon achieving a certain level of income per capita, no drawing of new loans from the World Bank, and problem-free access to capital markets. Achieving this status shifts a state from a recipient of international assistance to a donor.

Between 2002 and 2006 the NMS increased their ODA equivalent from approximately 0.03% of their collective Gross National Income (GNI) to around 0.1%.⁵⁰ For individual states this has seen a doubling or even tripling of their ODA. However, within that period the EU re-committed itself to its

⁴⁷ EuroBarometer, *Europeans and Development Aid*, Eurobarometer 280, 2007.

⁴⁸ *Op cit.*

⁴⁹ Francesc Granell, 'Can the 5th Enlargement weaken the EU's Development Cooperation?', Jean Monnet/Robert Schuman Paper Series, University of Miami, Vol. 5, No. 2.

⁵⁰ Maja Bucar & Mojmir Mrak, 'Challenges of development cooperation for EU New member states', p. 9.

Monterey ODA target of 0.7% of GNI by 2015 in 2005 with its 'Finance for Development' paper. In this paper though, the EU accepted the reality of the situation in the NMS by giving them a differentiated target from the EU-15: that of increasing their ODA to 0.17% GNI by 2010 and 0.33% of GNI by 2015.

It is important to note that there are a few issues that make reaching aid targets not as straightforward as it might seem. For example, Hungary's development cooperation appropriation has been substantially affected by the recent budget rationalisation of the government, depleting its potential total from approximately €4m in 2003-2004 to €1m in 2007.⁵¹ It is also argued that that it was particularly hard for CEE states to meet their aid targets as the rapid growth of their economies means that while total amounts of ODA keep growing every year, the percentage of GDP did not. The Estonians also stated that an issue that causes major problems is the fact that the large contribution to the EU budget that CEE states make (often more than two thirds of their total ODA budget), is not calculated using figures of single countries' economic growth, but of the EU as a whole.⁵²

Critics argue that we need to look within these figures to find out the true focus of development aid. Much of the ODA figures for many CEE states are made up of contributions to multilateral agencies or to the budget of the EU.⁵³ In the case of Slovakia for example, out of the reported ODA in 2005, 30% went to debt relief to Sudan, Afghanistan, Iraq and Albania; 40% was a contribution to the common budget of the EU which can be counted as ODA; 21% as contributions to multilateral agencies and small programmes of Slovak line ministries; and only about 9% was allocated to bilateral ODA through Slovak entities.

There is also concern that all CEE states, with the exception of the Slovak Republic, still tie aid to varying degrees, a practice whereby governments make giving aid conditional on the receiving countries buying goods and services from the donor country.⁵⁴ For example, the Polish government only ties investment projects, whereas the Czech Republic ties investment, technical and NGO support aid.⁵⁵ This is despite the fact that the EU has made commitments to move towards untying its aid, in line with OECD recommendations. One of the defending responses from CEE states is that tying aid helps economic development in the donor country. Therefore, the Hungarian government evaluated its tied aid initiatives very positively in 2005, particularly from the perspective of Hungarian economic interests.⁵⁶ Another similar response is that tied aid helps build capacity and public understanding

⁵¹ PASOS, 'The Challenge of the EU Development Co-Operation Policy for New Member States', p. 3.

⁵² Interview, November 2007, Brussels, Estonian Permanent Representation.

⁵³ This section utilises information from Marian Caucik, 'Development Cooperation in the New member states from NGO perspective', Presentation at Public Hearing of European Parliament, Committee on Development, January 2007.

⁵⁴ Maurizio Carbone, *The EU and International Development*, p. 47.

⁵⁵ CEC, *EU Donor Atlas 2006*, Brussels, DG Development/OECD.

⁵⁶ Lucy Hayes, *Hold the Applause*, p. 35.

in the donor country. The Latvian government for example justifies the fact that the majority of Latvian aid is highly tied on the basis that that 'Latvia is a newcomer in the field of development co-operation, and needs to build its own capacity and public understanding and support for development co-operation before proceeding to an open aid market'.⁵⁷ Only Lithuania was judged 'likely' to meet this target without inflating its aid by NGOs. Some of the other states have started to implement the Development Assistance Committee (DAC) Recommendation on untying aid to Least Developed Countries (LDCs), with the Commission's threat to pursue any breaches of EC internal market rules on ODA a major incentive.⁵⁸ Falling into line with contemporary good practice is likely to impact upon ODA targets. For example, in recent years both Hungary and Slovakia saw a decline in their ODA levels as a share of GNI due to the end of debt relief items to some countries.

Official Commission statistics shows that half of the 2004 accession states are on track for their 2010 target, as are Bulgaria and Romania. Of all the new states, only Estonia and Latvia are judged as being on course to fall a long way short of the 0.17% by 2010 target, with the Czech Republic, Hungary and Slovenia all achieving 0.12% in 2006.⁵⁹ AidWatch though is concerned that of the NMS five countries—Bulgaria, Hungary, Latvia, Romania and the Slovak Republic—would have to double, or even triple, their aid within the next two years to reach 0.17% in 2010. Of those, Hungary and the Slovak Republic decreased their aid percentages in 2007. One problem is the lack of a binding timetable to achieve these targets, despite the fact that the European Council urged all Member States to introduce year on year increase targets in 2007. Thus far only three of the CEE states⁶⁰ have done so, with NGOs in two, Romania and Slovenia, concerned that 'these are purely formal documents which are not being translated into practice' and can therefore be subject to changing governmental priorities.⁶¹

The goal of eradicating poverty is deemed paramount, as the European Consensus on Development sets out clearly.⁶² Of all the NMS, only Hungary had an unequivocal commitment to poverty reduction.⁶³ The original Polish ODA document did not prioritise poverty reduction but the revised Strategy for 2007-2015 does.⁶⁴ In contrast, in Latvia, despite the fundamental principles of development cooperation policy being in line with the MDGs, the concept of poverty reduction is slowly disappearing as a policy priority in government

⁵⁷ Lucy Hayes, *Hold the Applause*, p. 36.

⁵⁸ CEC, 'From Monterrey to the European Consensus on Development: Honouring our Commitments'. COM (2007) 158, Brussels, European Commission.

⁵⁹ CEC, 'Keeping Europe's promises on Financing for Development'. COM (2007) 164, Brussels, European Commission.

⁶⁰ Estonia, Romania, Slovenia.

⁶¹ AidWatch 2008, p. 7.

⁶² CEC, *European Consensus on Development*, Brussels, European Commission, 2005.

⁶³ *EU Donor Atlas 2006*.

⁶⁴ PASOS, 'The Challenge of the EU Development Co-Operation Policy for New Member States', p. 3.

documents. However, many old and new member states argue that poverty reduction is seen as requiring a multidimensional approach, including other elements such as sustainable development. The recent commitment to poverty reduction as part of the Lisbon Treaty does suggest that all 27 member states share the goal of poverty reduction. However, there does appear to be evidence that enlargement has exaggerated a trend that has seen the share of EU ODA to LDCs decline over the past 40 years despite the absolute volumes increasing.⁶⁵

When looking at bilateral aid, the thematic and geographical priorities set out by CEE states are quite clear. In light of the need for policy coherence and complementarity, it is argued that it makes more sense for NMS to be active in those countries and sectors where they have a comparative advantage. These sectors include democratisation, market liberalisation, and managing transition to EU membership, especially the transition from aid recipients to donors. The main targets are neighbours who share their historical experience—Kyrgyzstan, Kazakhstan, Tajikistan, Moldova, Georgia. Of the six newly independent states (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine) the most targeted countries by the new Member States are Moldova and Ukraine.⁶⁶ The majority of the priority states outlined above are identified as having medium human development by the UN, putting them in the same category as many African, Caribbean and Asia Pacific (ACP) states.⁶⁷ Many NMS would therefore like the EU to rectify its lack of aid focus in Eastern Europe, Central Asia and the Caucasus and acknowledge their numerous development challenges. This is one area where the NMS could play a complementary role, providing aid to these ‘orphans’ or ‘marginalised countries’. Some of these states such as Uzbekistan and Tajikistan are experiencing similar issues to some of the NMS.⁶⁸

To date, the bilateral development cooperation activities of the NMS towards ACP countries have been very limited. As a recent EP report states ‘the European Consensus on Development provides an impetus, but does not oblige new Member States to target their development cooperation towards Africa’.⁶⁹ The issues of coherence and complementarity associated with development policy play a role here. It makes little sense for Lithuania, say, to try and play a significant role in Africa, a continent where it has little expertise.⁷⁰ It makes more sense for them to be more active in those countries

⁶⁵ Mirjam van Reisen, ‘The Enlarging European Union and the Developing World’, in Mold, A. (ed.), *EU development policy in a changing world : challenges for the 21st century*, Amsterdam, Amsterdam University Press, 2007.

⁶⁶ European Parliament, *Report on the Challenges of Development Policy for the New Member States*.

⁶⁷ Mirjam van Reisen, *The Enlarging European Union*, p. 52.

⁶⁸ Maja Bucar, et al., *Towards a division of labour in European development co-operation: case studies*, Deutsches Institut für Entwicklungspolitik, Bonn, 2007.

⁶⁹ European Parliament, *Report on the Challenges of Development Policy for the New Member States*.

⁷⁰ CEC, ‘EU Aid: Delivering More, better and faster’, COM (2006) 87, Brussels, European Commission.

where they have a comparative advantage such as Belarus. Alongside that, of the new states only Poland, Hungary and the Czech Republic can be said to have a foreign policy reach outside of Europe. Having said that, recent revisions to ODA policies in the Czech Republic and Poland have seen them prioritise Zambia and Tanzania respectively, and along with Bulgaria, both also prioritise Angola.⁷¹ Where the NMS can play a greater role is through co-financings. This is where two or more member states co-finance a project, sharing and reducing the administrative load. Examples include Slovakian and Austrian co-financed infrastructure projects in Kenya or in the field of water quality between the Czech Republic and Luxembourg. These Programme based approaches (PBAs) enable small donors to increase their impact as the PBA allows them to combine their resources, thereby punching above their weight. According to Slay this is the 'Paris Declaration at work'.⁷² Many of these PBAs have been developed via the UNDP Regional Emerging Donors Initiative, which aims to facilitate cooperation between new donors, traditional donors and recipient countries. Probably the major forum for sharing expertise is the OECD DAC, yet only four of the NMS are current OECD members (although talks have opened with Estonia and Slovenia) and none of the NMS are represented on the DAC.

The EU's code of conduct on division of labour on aid⁷³ lays down rules on best practice. For example, on priority countries it encourages EU donors to focus on only a few donors each, including aid orphans. This is less of a problem for Latvia, with three priority countries, than the Czech Republic, with eight. The result is that the Czech government has decided to narrow down the territorial focus of development cooperation considerably.⁷⁴ The reason for this is the concentration principle. Estonia, Latvia and Lithuania are spreading \$US 5, 8, 9 million to four, three and six countries respectively, whereas Hungary spends \$55m in five countries and Poland \$118m in six. In Slovakia and Slovenia, \$28m and \$31m are spent in seven and six states.⁷⁵ Integrating EU principles into national strategies has therefore been a big challenge for the NMS in this area, especially ensuring coherence between EU rules and national priorities.

Alongside the country principles are rules on sectors, with the code of conduct setting the maximum number of sectors an EU donor can be involved in per country at three. In response the Slovak Republic has adopted

⁷¹ Trialog, 2007.

⁷² Ben Slay, 'The EU's "emerging donors": New players in development cooperation', Presentation at Public Hearing of European Parliament, Committee on Development, January, 2007.

⁷³ CEC, 'Communication from the Commission to the Council and the European Parliament of 28 February 2007 entitled "EU Code of Conduct on Division of Labour in Development Policy"', COM (2007) 72.

⁷⁴ MFA-Czech, *Concept of the Czech Republic Foreign Aid Programme for 2002-2007*, Prague, 2002.

⁷⁵ To be counted as substantial, aid activities usually require \$US5m annually, see Holger Murle, *Towards a division of labour in European development co-operation: Operational options*, Deutsches Institut für Entwicklungspolitik, Bonn, 2007.

policies that limit the number of sectors they are active in to three per partner country, whilst Bulgaria has committed itself to no more than two sectors per partner country.⁷⁶ The idea is that each donor focuses upon sectors where they have comparative advantage. One perceived comparative advantage for many CEE states is in transition experience, offering as they do first hand experience of regulative and institutional transition process from centralised planned economy to market economy.⁷⁷ The Estonian ODA framework document states explicitly that Estonia's development cooperation focus remains directed at regions and countries facing the need for similar reforms and transition as undertaken by Estonia.⁷⁸ Slovakia's ODA is based upon the goal of the 'transfer of Slovakia's experience and know-how'.⁷⁹

Transition management is often highlighted as the key area in which CEE states have a comparative advantage. Critics argue that this often amounts to no more than a list of sectors in official documents with little evidence of practice reflected in aid flows.⁸⁰ In part the problems stem from a lack of knowledge or expertise on the ground. For other commentators there is a more fundamental problem with this comparative advantage. It is argued that many countries mismanaged their transitions in a spectacular way. Poland's transition followed an authoritarian blueprint of the government choosing the most extreme version of economic reforms and telling society that this is the only and the best option. This led to the current state of elitist style of politics with weak representativeness and accountability and career politicians. It is concluded that the reforms and the way they were implemented alienated society and created the highest levels of inequality and unemployment 'East of the Elbe'.⁸¹

What this section has shown is that with regard to the policies and practices of the NMS, many issues associated with meeting the requirements of the *acquis* remain. The differentiated ODA targets are proving to be challenging, with some member states not on track to hit them without inflating their aid. Many CEE states still tie their aid to receiving countries. As a result, the ability of the NMS to meet the demands of the *acquis* is still of considerable concern both within the EU⁸² and amongst NGOs. There is also the question of priority. The aid that is provided by many of the states under study is solely distributed in Europe, despite an EU commitment to poverty reduction in Africa.

⁷⁶ *Ibid.*

⁷⁷ Maja Bucar *et al.*, *Towards a Division of Labour: Case Studies*.

⁷⁸ MFA-Estonia, *Strategy Paper of Estonia's Development Co-operation and Humanitarian Assistance 2006-2010*, Tallin, 2005.

⁷⁹ MFA Slovak Republic, *Mid-Term Strategy of Official Development Assistance (ODA) for 2003-2008*, Bratislava, 2003.

⁸⁰ Balazs Szent-Iványi & Andras Tétényi, 'The role of Central and Eastern Europe in the EU's development policy'.

⁸¹ Bogusia Puchalska, 'Polish Democracy in Transition', *Political Studies*, vol. 53; pp. 816–832.

⁸² European Parliament, *The Challenge of the EU Development Cooperation Policy for the new member states*.

CONCLUSION

This paper set out to examine the emergence of development policy in CEE states. It has shown that these states have had to re-orientate themselves from being recipients of aid to becoming donors, despite many having a long history of engagement with the developing world. It has shown that the transition from aid receiver to aid donor was as difficult as many feared. The challenge, as identified recently in a report for the European Parliament,⁸³ is to 'combine well-focused priorities, based on their distinct expertise, with meeting their responsibilities to support development in less-developed countries'.⁸⁴ There is also the challenge of trying to ensure all ten of the new donors approach this issue with the same vigour. Some of the new member states, to a large extent those donors that fully embraced the challenge of development cooperation before accession to the EU, are close to meeting their ODA commitments and have healthy civil society organisations. They have identified clear priority countries, in particular the former Yugoslav Republics and CIS states, and sectors, especially transition, where they have a comparative advantage. The Czech Republic and Slovenia are leading the way as donors. Indeed in 2007, the Czech Republic was the first non-DAC (Development Assistance Committee) member from the region to undergo peer review. There have also been positive signs in some of the Baltic states, with both Lithuania and Estonia having seen vast improvements in recent years.

Other states appear to be backtracking on ODA commitments, reluctantly setting up legal and institutional structures and doing little to encourage civil society participation. Linked to this point is the need for education. In many NMS the focus is on humanitarian aid. This aid is considered an important policy instrument in maintaining regional stability, including containing migration from the East and reducing the impact of conflict.⁸⁵ There is little appetite to open a wide scale debate upon relations between the CEE states and the South, despite recent UNDP activities. The recommendations in a recent report for the EP highlight how far there is to travel on this journey. It calls for a concerted public awareness campaign to gather political and public support for increased ODA, improving civil society and expert capacity in NMS, strengthening the coordination agencies in NMS and between NMS and other EU member states. These calls reflect those made back in 2002 when this subject was first discussed. Therefore despite capacity building and considerable funds from a variety of sources, we find that across the ten new donors, whilst we have witnessed the emergence of development policies, the policies are still only in their infancy.

⁸³ The report was adopted on 13 March 2008, with 378 votes for, 11 against, 16 abstentions.

⁸⁴ PASOS, 'The Challenge of the EU Development Co-Operation Policy for New Member States', p. 3.

⁸⁵ Gorm Rye Olsen, 'The EU's Development Policy: Shifting Priorities in a rapidly changing world', in Hoebink, P. & Stokke, O (eds) *Perspectives on European Development Co-operation*, London, Routledge, 2005.

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ABBREVIATIONS

ACP	African, Caribbean, Pacific State
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
DAC	Development Assistance Committee
EP	European Parliament
EU	European Union
LDC	Least Developed Country
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PBA	Programme based Approach
MDG	Millennium Development Goals
MEP	Member of the European Parliament
MFA	Ministry of Foreign Affairs
NGO	Non-Governmental Organisation
NMS	New Member State
UN	United Nations
UNDP	United Nations Development Programme
WTO	World Trade Organisation