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**The role of Central and Eastern Europe in the EU's
Development Policy**

Author:	Balázs Szent-Iványi
Co-Author:	András Tétényi
Institution:	Corvinus University of Budapest, Department of World Economy
Address:	Fővám tér 8, Budapest, H-1093, Hungary
E-mail:	balazs.szentivanyi@uni-corvinus.hu ; andras.tetenyi@uni-corvinus.hu
Telephone:	+36-1-482-5406; +36-30-343-6909; +36-70-258-4642

Abstract

The paper examines the interests, roles and potential of the Central and Eastern European member states in the European Union's common development policy, concentrating mainly on the Visegrád countries. We find that the interests of the new member states are strikingly similar, which is mainly due to their small country status, economic performance and similar historical traits such as lack of colonial past and integration in the eastern block. These similar interests make the emerging international development policies of these countries easily comparable. The main aspects of these are: low government priority and funding for international development, strong preference for European partner countries, and the prevalence of strong interests to use development policy as an instrument for trade and business relations.

Examining the potential of countries in the region, the paper finds that Central and Eastern European new members states can have comparative advantages in development cooperation compared to the older member states, however so far lack of resources and capacity (and sometimes even vision) have not permitted them to take full advantage of these. An obvious (and widely cited) example is transferring their experience gained from the transition process to developing countries, but many other specific fields can also be important, such as experience in water management and agricultural development in the case of Hungary. Despite these advantages, the new members have so far not capitalized on them, which is partly explained by the fact that their non-state sectors are uncompetitive when it comes to European development project tenders.

It is still hard to say what effect the new member states will play on EU's development policy in the long run. Many have suggested that the new members will try to push the community towards giving a larger emphasis on the South-East Europe and CIS regions. Although the EU's attention does seem to have shifted towards these regions (as evidenced by the 2007-2013 financial perspective), this is clearly not due to the influence of the new members. The paper concludes that the new members still have much to learn in order to become fully functional aid donors.

Keywords

EU development policy, new member states, emerging donors

1. Introduction

The Visegrád countries (the Czech Republic, Hungary, Slovakia and Poland) of Central and Eastern Europe have turned from aid recipients into aid donors in the past few years. They are facing a multitude of new responsibilities and also opportunities which they must act upon quickly in order to maximize the benefits which can be gained from having a well functioning international development programme. The first task they must face is to integrate their own priorities into the framework of the European Union's Development Policy and to develop the capacity and vision in the governmental and non-state sectors. Another problem some of the Visegrád countries (Hungary and Poland) are facing at the moment is that they are still far from achieving the criteria necessary for joining the euro-zone, thus the status of being a donor country is very much on the back seat of government calculations. But even in the Czech Republic and Slovakia which have definitely fared better according to recent economic performance indicators, short term economic and political interest are in preference when it comes to international development questions.

European Development Policy focuses on the eradication of poverty (with special emphasis on achieving the Millennium Development Goals¹) in order to attain sustainable development in developing countries. The EU has made it a priority to change economic and political institutions in partner countries to increase the quality of governance which may be the key for the success of development programmes. However, attaining good governance is easier said than done, not to mention creating good economic institutions and economic opportunities. A successful transformation is only possible therefore in the long run.

Donors can provide aid to developing countries for a multitude of reasons. This paper will review the main motivations of Central and Eastern European emerging donors, with special emphasis on the Visegrád countries. Our paper consists of two main parts: in the first part we will create a framework for analyzing donor interests both in the short- medium term, and in the long run and to understand the various economic, political, security and ideological advantages which can be gained by being a successful donor country (Section 2). In the second part of the paper we will build upon this framework for examining how the Visegrád countries are attempting to satisfy their economic and political interests in a way which is in accord with the goals of the European Union (Section 3). Section 4 analyzes the comparative advantages of the Visegrád countries in relation to other donor states and the ways these could be used both in Africa and in CIS countries. The final section looks at the interplay between the European Union's Development Policy, and the interests of the Visegrád countries, and offers some policy messages.

¹ Millennium Development Goals: eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce the mortality rate of children, improve maternal health, combat HIV/AIDS malaria and other diseases, ensure environmental sustainability and develop a global partnership for development.

2. The interests of donors

The question why various advanced states decide to give development aid to developing countries has been extensively scrutinized by philosophers, political scientists and economists alike. It is quite clear even to the casual observer that donors are driven much less by altruistic considerations than what their rhetorical mantras imply (“eradication of poverty”; “equitable and sustainable human development”; “integrating developing countries into the world economy” etc.). Donors provide aid due to economic, political, security and ideological self interests, the benefits of which they will either realize in the long or the short to medium term (see Table 1.). Analyzing these motivations is important because they can provide insight into the structures, working practices and mechanisms of a given donor’s foreign aid policy.

	Benefits realized	
	in short to medium term	in the long run
Economic/commercial interests	<ul style="list-style-type: none"> • Increase exports • Gain foothold in the recipient economy 	<ul style="list-style-type: none"> • Increase market size through raising incomes and living standards in recipient countries
Political	<ul style="list-style-type: none"> • Influence the government of the recipient country • Aid certain groups within the recipient (ethnic minorities, opposition movements, etc.) 	<ul style="list-style-type: none"> • Strategic foreign policy goals, like building long term alliances etc. • Increase international prestige
Security	<ul style="list-style-type: none"> • Maintain regional stability, avoid the escalation of a given conflict 	<ul style="list-style-type: none"> • Combat global security threats caused by poverty and state failure (terrorism, epidemics, uncontrolled mass migration, drug trafficking, organized crime, environmental degradation etc.)
Ideological	<ul style="list-style-type: none"> • Spread political, religious ideology via foreign aid 	<ul style="list-style-type: none"> • Poverty reduction stemming from religious, humanitarian, or other ideologies (altruism)

Table 1. Donor interests in foreign aid

Source: Paragi – Szent-Iványi 2006

In empirical investigations however, it can sometimes be tricky to underpin these motivations, as donors seldom emphasize them. The most often-used strategy in the literature is to analyze the aid allocation of donors, and draw conclusions on the background interests depending on the countries that receive the most aid. If, for example, the most important recipients of a donor are also relatively important trading partners, we can safely assume that commercial interests of the donors may play a role. Similarly, if we find that former colonies are important recipients, we can conclude that maintaining economic and political ties with these countries is an important motivation for donors.

One of the pioneering works in this field was Maizels – Nissanke (1984), which showed that during the Cold War donors mainly used their aid resources to reward allies and gain political

influence. Boosting economic growth and reducing poverty in recipients was not a priority at all. Perhaps the most comprehensive study on the subject was done by Alesina – Dollar (2000). Using panel data for the period 1970-1994 and covering a wide range of donors, they show that colonial ties and strategic alliances (measured by voting patterns in the United Nations) explain aid allocation much better than the needs of the recipients. They also document big variations among donors. The United States gives a huge portion of its aid to Israel and Egypt. Once these countries are controlled for, the USA seems to give a preference to more open, democratic countries. Japan gives most of its aid to countries that often vote with it in the United Nations. France clearly favours former colonies. Alesina – Dollar (2000) thus support the view, that former colonial powers give a clear preference to their former colonies. Aid in this sense is an instrument to maintain economic and political ties with these countries even after they have become independent.

There are however other aspects of interests which indicate a more short term thinking than the strategic long run motivations mentioned above. Instead of developing markets and stability through aid, many donors seek to reap the benefits of aid transfers immediately. The most well known example is tying aid to exports and granting aid in the form of technical assistance, the main beneficiaries of which are the trading companies and consultancies of the donor country. Basically, these practices can be interpreted as a form of trade promotion, and can have severe consequences on the efficiency of aid by restricting competition, increasing costs and selling goods and services to the recipient that it might not really need (Easterly 2002).

It is however safe to assume, that after the Cold War there has been a shift in donor interests. For one thing, maintaining strategic alliances in the developing world became less significant. This hypothesis is supported by the data, as resources spent on foreign aid declined in the 1990's, and did so even more significantly compared to the gross national incomes of donors (OECD 2007). Aid flows basically stagnated throughout the nineties, which signified "aid fatigue" among the donors fuelled partly by a disillusionment due to the ineffectiveness of aid, and partly by the fact that without strategic interests, the donors did not know what to use aid for. Another turning point was probably around 2000-2001. The terrorist attacks of 9/11, the increased fears caused by global epidemics such as SARS and avian flu, nuclear proliferation, increased mass migration and other global problems made the advanced economies realize how serious security threats poverty in developing countries can pose. The effects of poverty cannot be stopped by borders, and they have increasing effects on advanced countries. Although in some cases hard military power can bring results, the interventions in Iraq and Afghanistan seem to show the opposite. The only effective way therefore to combat these security threats is to address their root cause: poverty. Reducing poverty in developing countries is increasingly becoming an important goal for advanced countries, not just in rhetoric; aid, as an aspect of soft power, should be an ideal means to this end. This shift in interests is well indicated by the United States's National Security Strategy (NSS 2002) or the European Union's development policy consensus (European Consensus 2005).

If poverty reduction is really the new goal of donors, then they should be paying increasing attention to aid effectiveness by giving the most aid to those countries where it has the most effect. According to an emerging consensus in the literature, aid is most effective in countries with good economic policies and high levels of poverty (Burnside – Dollar 2000; Collier – Dollar 2002). As we have already illustrated, economic policies or the level of poverty in the

recipient were not a priority in aid allocation decisions for donors. However, Dollar – Levin (2004) showed that in the past few years it is increasingly present: it seems that many donors, including the World Bank, the United Kingdom and the Nordic countries are giving more aid to poor recipients with good economic policies. Selectivity is also clearly present in the United States' Millennium Challenge Account set up in 2002 (Radelet 2003).

In summing up this first part of our paper, it is important to note that there are no uniform motivations for donors to give aid, these depend not only on the various donor countries themselves, but also on the status of international relations. During the Cold War donors gave a priority to using aid as an instrument to solidify strategic alliances. Since the turn of the Millennium aid perhaps increasingly serves its original, theoretical goal: reducing poverty in developing countries. This shift however is due to the fact that various events in international relations have made donors realize how important security threats global poverty can cause for them.

3. The Interests of the Visegrád Donors

In this section, after a short historical overview, we analyze the interests of the four most important emerging donors in Central and Eastern Europe: the Czech Republic, Hungary, Poland and Slovakia (a.k.a the Visegrád countries). Their interests are strikingly similar, which is in part due to the fact that these countries had similar development paths, which is in turn due to their analogous historical conditions, traditions and to the fact that they were the frontrunners in initiating reforms in the early 1990's (Fidrmuc – Fidrmuc- Horvath 2002).

The Visegrád countries all had foreign aid policies during the communist regimes, usually under the names of "technical and scientific cooperation" or "north-south dialog". These policies had slightly different character than the classic project-oriented approach used by the western donors (Baginski 2002): they consisted mainly of supply of various equipments, experts and professional know-how, scholarships and tied-aid credit. A heavy influence of ideology can also be detected: giving aid was a symbol of the superiority of the communist system. The aid programs at the time did not make a difference between development and military aid, and all had a significant military dimension. After the end of the Cold War and the beginning of the transition process however, the countries in the region switched from being aid donors to aid recipients. International development policies were only restarted after the millennium, due to international pressure flowing from OECD and EU membership. The Visegrád (and other Central and Eastern European) countries became the new emerging donors in Europe.

Aid currently provided by the Visegrád countries is still relatively low compared to the more established Western donor countries. Table 2 shows that the four Visegrád countries analyzed are slowly increasing their aid budgets, but setbacks and reductions are not uncommon. These countries themselves face serious challenges in development, as their per capita incomes are only 60-70 percent as that of the older EU member states. Resources are therefore also needed at home, and it would be most difficult for governments to justify giving increasing amounts of foreign aid, while they are facing a multitude of economic problems in their own countries.

Wishes to adopt the euro as soon as possible also place constraints on governments, as the Maastricht criteria do not permit large government deficits.

	2002	2003	2004	2005	2006
Czech Republic	0,07	0,10	0,11	0,11	0,12
Hungary	..	0,03	0,06	0,11	0,13
Poland	..	0,01	0,05	0,07	0,09
Slovakia	0,02	0,05	0,07	0,12	0,10

Table 2. ODA/GNI levels in selected CEE countries 2002-2006

Source: OECD 2007.

A quick increase in aid resources is therefore definitely not a priority for the Visegrád countries. The European Union requires however that the 10 member states that joined the Community in 2004 increase their ODA/GNI levels to 0,17 percent by 2010, and 0,33 percent by 2015.

It is difficult to compare the foreign policy (and foreign aid) interests of the Visegrád countries and the older, more established donors. The Visegrád countries are small to medium size countries and their economies are considerably smaller than those of the older EU member states. Their historical context is also markedly different: they did not have any colonies, and did not have sovereign foreign policies until 1989. Contacts between developing countries and the Visegrád countries therefore have been sporadic. As the main trading partners of the Visegrád countries are the older EU-members, most notably Germany, their trade with developing countries, especially in Africa is minimal. Furthermore, the mentioned effects of poverty in developing countries (like terrorism, migration etc.) affect the Visegrád countries much less than they affect the more established donors. CEE countries are rather transit countries in terms of migration from developing countries, and terrorism is currently only a marginal concern. Giving aid to Africa, South-East Asia and other far-flung developing regions will therefore not be a priority.

Stability in other regions more in the neighbourhood however, is important for the Visegrád countries, mainly in South-East Europe and the Commonwealth of Independent States (CIS). Avoiding further conflict in the Balkans and instability in the former Soviet states is key for Europe, but perhaps even more important for the Central and Eastern European countries as they are immediate neighbours of the region and will be the first to feel the effects of instability though increased migration, decreasing trade and foreign investments etc. In 2005 for example the most significant part (more than 26 percent) of bilateral Czech ODA was targeted to Europe, with a further 15 percent targeted towards Central Asia (Adamcova et al 2006: 76). The top three recipients included Serbia and Ukraine. Poland channelled more than 61 percent of its bilateral aid to European countries and 18 percent to Central Asia in 2005. The top three recipients were Serbia, Ukraine and Uzbekistan (Development Co-operation Poland 2006). Hungary does not provide comprehensive data on regional aid allocation, but a recent survey by Hungarian NGO's shows that in 2005 more than 43 percent of Hungarian bilateral aid was

...the current EDP regulation only allows for positive discrimination to companies from developed countries, and there are no similar provisions for the companies of the emerging donors. The fact that the people have experienced in other areas after the transition (the well-informed companies and NGO's from the Visegrad countries will not be able to perform well in the percentage of resources to help partner countries develop more efficient institutions within EDP funds, their governments will probably feel more entitled to push their interests in other fields of development policy and might try to transform the EU development policy to suit their interests better. If these interests have been lost, the Visegrad countries do not have the decades of experience behind them as most older donors do. NGO's, private companies and individual experts therefore can only have limited possibilities in community financed development tenders in the short to medium term.