

BULLETIN

No. 102 (319) • November 3, 2011 • © PISM

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V4 Development Cooperation: Challenges and Prospects for Common Actions

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Visegrad countries are emerging donors struggling to enhance their own development cooperation systems in spite of limited resources and expertise in the field. Even though they share similar challenges and potential in development cooperation they seem more often to compete rather than collaborate. More cooperation between them could help to both improve national systems and open the way for joint V4 initiatives in foreign aid. Four particular areas—aid financing, aid transparency, transition experience and division of labour—offer the greatest scope for improvement and require immediate action.

Aid Financing. The V4 countries, which were recipients of international aid in the 1990s, recently emerged as donors of development assistance. Despite significant progress already achieved, they still face crucial challenges of which financial shortcomings are the most important. None of the Visegrad countries has managed in 2010 to meet the interim target to spend 0.17% of GNI for Official Development Assistance (ODA) as agreed in the EU in 2005. Last year, the level of ODA was 0.12% GNI for Czech Republic (€169 million), 0.09% GNI for Slovakia (€56 million) and Hungary (€85 million), and 0.08% of GNI for Poland (€285 million). All risk failing to deliver on the final benchmark of 0.33% of GNI by 2015 (compared to 0.7% of GNI for the EU-15).

In addition, the majority of V4 assistance is delivered through multilateral channels (mostly in the form of obligatory payments to the EU budget), which stands in contrast to the way it is done by more established donors (on average, the bilateral ODA for members of DAC-OECD is 60%). Bilateral aid amounts to only 25% of ODA in Poland, Hungary and Slovakia, and 35% in Czech Republic. This suggests that V4 donors still lack the capacity to disburse aid more independently through its own means. Hence, they would need not only to increase substantially the amount of ODA in the coming years but also would need to find the best ways to spend it more strategically. It would be helpful for the V4 to share their relevant experiences more regularly and examine the possibility of setting joint Visegrad programs.

Aid Transparency. Another major challenge is in how to improve the effectiveness of the aid. This is especially vital as the world prepares for the Fourth High-Level Forum of Aid Effectiveness (HLF-4), which will be held in Busan, South Korea. One particular subject to be discussed at the forum is aid transparency. This is an area, according to the latest AidWatch report, in which V4 countries can perform much better, especially Poland and Hungary, which are lagging far behind in relevant rankings.

As new donors with relatively small levels of ODA, the V4 could easily become leaders in aid transparency. They would need to improve the quality of information about their aid activities and publish the results in a timely and comparable format. An interesting instrument that could be applicable in their systems is the International Aid Transparency Initiative (IATI). This technical solution already has been endorsed by more than 20 international donors and allows publishing all data according to an agreed common global standard. The V4 members should announce plans to join IATI before the HLF-4. By providing the maximum amount of information about their aid activities they would also empower local beneficiaries and allow them to hold local authorities accountable, thus contributing to strengthening democracies in third countries.

Transition Experience. A particular feature shared by the V4 countries in development cooperation is that they draw their comparative advantage from their successful transformations from communist systems to market-oriented democracies. There is also a general consensus in the EU that it should better capitalize on New Member States (NMS) “transition management” in its development policy. In late 2010, the EC published the European Transition Compendium (ETC)—a working paper presenting the transition expertise of NMS. In February 2011, eight NMS (excepting Poland) issued a Non-paper calling on the Commission to complete the work on ETC and create conditions for its practical implementation, including securing special funds for transition cooperation in the new financial framework after 2013. It is important to build on this initiative and make it operative, especially when developments in Northern Africa have created a massive demand for transition knowledge.

The V4 countries should further combine their efforts to more highly prioritize the transformation experience on the EU’s agenda for external action. This could entail more coordination in harnessing support for the establishment of the European Endowment for Democracy or creating a momentum for the EU Consensus on Democracy—a new, joint strategic document on relevant EU policy. Moreover, V4 countries should reinforce an internal dialogue about transition experiences by sharing their best practices, conducting more detailed research about their own transformations and offering joint aid programs focused on democratic transitions.

Division of Labour (DoL). The next area that offers great scope for more engagement is in the international division of labour in development cooperation. This global initiative outlined in the Paris Declaration on Aid Effectiveness in 2005 aims at a reduction in the fragmentation of aid and of transaction costs through the better coordination of the various donors’ activities. It is fully endorsed by the EU, which encourages more cooperation among EU donors through joint programming, common implementation mechanisms and the use of co-financing arrangements, including the use of a delegated cooperation initiative. The “Division of Labour” is on the agenda of the EU preparation process for HLF-4.

The convergence of both the geographical and thematic priorities of the V4 members suggests they have great potential to apply this approach in their development programs. All Visegrad countries consider Afghanistan and Moldova to be priority countries. Three of them (although in different groupings) focus their aid on Ukraine, Georgia and the Palestinian Authority, while Poland and Slovakia are both active in Belarus. The congruence of development priorities is even clearer in sectoral specialization. All V4 members concentrate aid on supporting democracy, including those that strengthen democratic institutions and support good governance, civil society and human rights. All are providing aid in similar traditional sectors such as agriculture and water management, health and education.

Against this backdrop it is surprising that the V4 do not share their experiences or coordinate their activities on a regular basis. They rarely engage in joint initiatives and make no use of new instruments available at the EU level. They have independent development policies and seem to compete with each other rather than cooperate. Also, with few examples they are not active in multilateral development projects. More cooperation among the V4 could improve the complementarity of their aid programs and possibly lead to developing joint projects with a distinct Visegrad flavour.

Recommendations. The V4 countries have a vast, untapped potential in development cooperation. Delivering on their own promises and meeting the expectations of the international community would improve both their position within the EU and vis-à-vis developing countries. An analysis of four chosen examples shows that more coordination and cooperation among the V4 members could help them deliver “more and better aid”, both individually and as a group.

All V4 members will be expected to present a credible plan for reaching the agreed ODA targets in 2015 (0.33% of GNI) even though the financial crisis makes this task extremely hard. A much easier goal for immediate improvement would be to secure more transparency of aid by providing timely, accessible, comprehensive and comparable information about V4 assistance, improve reporting on ODA to DAC-OECD and possibly by adhering to IATI at the HLF-4 in Busan.

Increased coordination and a unified front by all the V4 is crucial to push for a broader incorporation of the transition experience in the EU’s external actions. Finally, the proper implementation of joint initiatives in line with the principles of a division of labour could significantly improve the quality of EU aid as a whole and give V4 countries more influence on European development policy. Poland, which holds the EU presidency and will take over the V4 presidency in July, is well-placed to act as a catalyst in strengthening coordination and moving development cooperation higher on the V4 agenda. It could soon start a serious dialogue about the better use of the V4’s potential, especially in the transition experience and the division-of-labour issue.