



BULLETIN

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Development Cooperation as a Smart-Power Tool: Lessons for Poland

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Regardless of official rhetoric on foreign aid presented as charity by developed nations to poorer states it serves interests of donor countries equally. Although Poland has tended recently to consider development cooperation as a useful tool of promotion of its democratic transformation, it can do more to support its broader goals. To improve the impact of this instrument Poland should increase the budget for bilateral aid and supplement its democratisation agenda with more traditional development cooperation, in order to promote its image as an economically prosperous and technologically advanced country.

Global Trends. Since the UN Millennium Development Goals Declaration was signed in 2000, development cooperation has become more important. Expenditures of the major donors, members of DAC OECD for Official Development Assistance (ODA), rose from \$84 billion in 2000 to \$128 billion in 2012. Moreover, development cooperation has begun to be treated as a separate and neutral dimension of external relations, focused on eradicating poverty in developing countries. Under the pressure of a robust NGO community, development assistance was presented in moral terms, as a charitable act that should benefit exclusively recipient countries. For instance, the British International Development Act 2002 claims clearly that “poverty elimination” is the sole objective of development assistance, and forbids its use for other purposes. International agreements, such as the Paris Declaration, have also made poverty reduction the main objective of development cooperation and committed donors to continue making progress in untying aid and improving coherence of policies for development (CPD). However, development cooperation seen as an altruistic activity is a myth.

In reality, development cooperation has never stopped serving the interests of donor countries, either directly or indirectly. Although a few donors (for example, the Nordic states) still focus on poverty reduction and consider aid primarily as a soft power tool to enhance their international credibility and build long-term partnerships, most states also employ it to advance their hard interests (strategic, economic, or security). For some countries, such as Japan and Germany, provision of aid is a useful way to enhance export and promotion of business links with developing countries. Other countries, such as the United States, use it as an additional means of supporting military missions abroad. Through increased conditionality of aid and support for democracy, donors such as the EU and Sweden tend to influence political systems in different countries. In many cases, it is also an important source of financing for national NGOs, strengthening rather domestic civil society than that of recipient countries. In short, development cooperation can be seen as a smart-power tool integrating soft and hard power resources to bring both intangible (image) and tangible (security, economy) profits to the donors.

This trend has been strengthened, especially after the financial crisis of 2008, which forced many states to present better justification for spending public money. The U.S. has recently recognised development cooperation as crucial element of its security, alongside diplomacy and defence (the 3D approach). Barack Obama included development in the “smart power” strategy, and his administration rebuilt USAID into one of premier development organisations for strengthening American “civilian power” abroad. Also for the EU, which focuses on “poverty reduction” as its main objective, assistance indirectly serves core European interests. For instance, it eases illegal migration pressure on the EU from neighbouring countries, stabilises regions crucial for EU security, promotes democratic regimes friendly to

the EU, and prepares future markets for European products. Moreover, the new EU development strategy (Agenda for Change, 2011) marks a new trend as it emphasises the importance of democracy support and encourages closer cooperation with the private sector and use of new financial instruments, such as blending grants and loans.

Poland's Approach. The modern system of Polish development cooperation is only a decade old, but has already evolved into a distinctive model. After concerted efforts, Poland has built up an institutional structure responsible for managing foreign aid (the Development Cooperation Department of the MFA and Solidarity Fund PL as a type of semi-agency), a new legal framework (the development cooperation law, which was adopted in 2011), and a multiannual strategy (a programme for 2012–2015). Development assistance is now closely aligned with goals of Polish foreign policy and can be seen as a “soft power” tool used mainly to promote the brand of Poland as a successful transition country. Under the new strategy, Polish aid concentrates on two priorities: democracy and human rights, and sharing Polish experiences in transformation, particularly in Eastern Partnership countries and North Africa. Over 70% of the annual bilateral aid budget managed by the MFA is to be spent on “democratisation” agenda. In 2012, more than half of Polish aid was transferred to six Eastern Partnership states.

Despite making progress, Polish development cooperation still faces important challenges. First and foremost is the small assistance budget, which limits the impact of this tool. Although total aid increased in 2012 to PLN 1.4 billion, it was still only 0.09% of GDP—one of the lowest levels in the EU. Moreover, around 75% of aid is dispersed through multilateral channels, mostly as contributions to the EU budget. In fact, only less than 10% of aid is actually managed by the MFA, and can be considered as a foreign policy tool. However, for a country still catching up with the more developed Western state, Poland can ill afford being an altruistic donor by way of a significant increase in the aid budget unless it can be proved that this also brings tangible benefits.

Therefore, in order to get wider political support and mobilise additional resources, it seems that development cooperation must be closer aligned with the realisation of Polish economic objectives. In the past, Poland used aid partly to offer concessional loans. However, because of criticism of this form of “tied aid” by NGOs, and due to recent entry into OECD DAC, this no longer seems to be an option. Also, the fact that democratisation assistance is composed mostly of soft projects (technical assistance) make it was less attractive for private companies to get involved. In order to engage Polish business in development cooperation, more attention must be paid to traditional development sectors (such as agriculture, environment, and infrastructure) and more money should be dedicated for hard projects. Companies that engage in assistance can learn about the market, and prepare for more commercial activities in the future, as well as get experience to bid for larger EU contracts.

Another sector that can bring mutual benefits for both sides is education assistance, including scholarships. Already in 2012, this kind of aid amounted to more than PLN 70 million, but there is still room for improvement. Spending in Poland, on higher education for young people from partner countries in sectors that are of critical importance for their development (such as engineering, medicine, agriculture, etc.), could address well the needs in the two states. In general, closer association of aid with Polish economic priorities would require stricter compliance with international standards and rules in these areas. Poland can learn from other countries, such as Germany or Japan, about best practice in providing aid that simultaneously serves to promote a donor country as a technologically advanced and economically prosperous state.

Conclusions. Recent trends in development cooperation prove it is less charity and more a mutually beneficial relationship for both sides. If a donor manages to use aid for both strengthening its soft power (image) and promoting more tangible interests, it can be regarded as pursuing a smart power strategy. For Poland, which only recently discovered development cooperation as a useful soft power instrument, it is high time to move to a higher level. Apart from employing foreign aid as a supplementary measure for the realisation of Polish strategic interests in the Eastern Neighbourhood, and promotion of Poland as a successful democracy, it should be more closely aligned with the overall aims of economisation of foreign policy. This will not only comply with the prevailing trends in international development cooperation, but will also help to mobilise greater support for foreign aid in the country.

However, in order to better use the potential of development cooperation, Poland will need to increase its bilateral aid budget significantly, and try to diversify thematic priorities. While planning the next multiannual programme, the MFA should pay more attention to a second pillar of aid, that is, traditional sectors of development cooperation (such as agriculture, infrastructure or health) and should not shy away from engaging private sector in development cooperation projects. It would also be helpful to expand and reform the scholarship programme to better address the needs of developing countries. Development cooperation should help to promote economic cooperation and support building long-term relationships with partner countries, while creating a friendly atmosphere for the entry of Polish business to new markets. In the end, in order to use the full potential of foreign aid as a smart power tool, it is extremely important to strike a fine balance between the realisation of one's own interests, the needs and interests of others, and international norms and obligations.