Czech International Development Policy in the Context of EU Enlargement

Ingrid Majerová

Silesian University in Opava, Business School of Administration in Karviná, Univerzitní náměstí, Karviná, Czech Republic

Correspondence should be addressed to: Ingrid Majerová; majerova@opf.slu.cz

Received 9 January 2013; Accepted 28 May 2013; Published 28 November 2013

Academic Editor: Ludmila-Daniela Manea

Copyright © 2013 Ingrid Majerová. Distributed under Creative Commons CC-BY 3.0

Abstract

Development policy of any state is to contribute to poverty reduction, the economic and industrial development, gradual integration of economies which are supported by the world economy to develop agriculture, development and consolidation of democracy and human rights, establishment of the rule of law and ultimately contribute to sustainable development along with improvement of environment and quality of life of a country. Sufficient support of the above is possible only through sufficient financial resources, which are measured by their percentage representation on GNI in this case. Motivating factor for writing this article was to determine, based on the historical context, whether the financial support for development policy in the Czech Republic and in the EU is in accordance with the objectives. The first aim of this paper was than short historical overview of the Czech development policy before and after EU enlargement – main finding is the complete change of its orientation. The second aim was a comparison of EU-members development aid with focus on position of new EU member states (especially Czech Republic) where failing to meet the targets was detected in the majority of EU members and slow progression of development aid. The paper also evaluated the multilateral cooperation of the EU member states as a background of the progress of Official Development Assistance in whole European Union and finded the high share on the total aid. The methods of description, analysis and comparison are used in the paper.

Keywords: International Development Policy, Development Aid, Bilateral and Multilateral Aid, Donors.

Introduction

International development policy (IDP) is a concept which importance in today’s increasingly differentiating world is constantly growing. The historical roots of this part of the foreign policy of all developed countries back to the 40’ of the last century, which are connected not only with the emergence of the United Nations and the liberation movements in colonies but they were also created through the power-political bipolarity, often overshadowed by the economic effects of aid provided.

The aim of development cooperation of any state is to contribute to poverty reduction, the economic and industrial development, gradual integration of economies which are supported by the world economy to develop agriculture, development and...
consolidation of democracy and human rights, establishment of the rule of law and ultimately contribute to sustainable development along with improvement of environment and quality of life of a country.

Czech or Czechoslovakian IDP history goes back to the beginnings of decolonization after World War II when the nature of this assistance has been influenced by more power-political interests than the pursuit of economic support for the host economy. The turning point came after 1989 when development assistance through its politicization has been in decline and its rebirth in the form in which it is known today, is dated the Czech Republic joined the OECD in 1995 and then joined the EU in 2004.

The aim of this paper is to determine whether the Czech Republic with other EU member states progressively develops its development policy in line with the objectives set by the EU. This is accomplished through the criteria of the share of development aid to GNI (in percentage) and particular the new Member States are compared. Attention is also given to the development of multilateral development assistance, should share in the overall development agenda decline. Finally, it is also analyzed the position of Czech development policy in the EU in terms of the type of assistance.

The article used three methodological approaches – method of description, analysis and the method of comparison, which are interconnected.

**Literature Review**

Not only organizations such OECD and the EU institutions, such as the European Commission but many authors deal with analysis of European development policy as well. According Grimm (2006) the EU has been reforming its development cooperation since 2000. The European Union increasingly aims at agreeing on standards and creating benchmarks, also concerning its timetable for reaching the target of GDP dedicated to development assistance. In a similar way Carbone (2008) means that the changes that have taken place since 2000, have radically transformed EU development policy and have opened a new phase in the relations between the European Union and the developing world.

Lightfoot (2008) analyses the development policy after EU enlargement and identifies the key improvements that new members made in the area of this policy. He also describes the comparative advantages offered by these countries in geographic or policy sectors. Grimm and Lundsgaarde (2009) describe future prospects for European Development cooperation, according these authors, the EU has become an increasingly important development actor in its own right alongside EU member states since then. In addition, the Union now also offers a more substantive framework for the coordination of national policies in this area than it did in the past.

Dearden (2009) said that poverty reduction was the main objective of EU development policy, with qualified priority in assistance to be given to low-income developing countries after 2000. It also specified seven areas where would be assistance concentrated. The development policy after 2005 reaffirmed the original pledge to low-income developing countries, but qualified it with a continuing commitment to middle-income developing countries where they have large low-income populations, inequalities or weak government, or where they are important as regional anchors. The sectors in which the EU would engage were expanded to ten areas.

Some authors deal with the issue of the Czech or others new member states development cooperation.

Kuncova (2008) describes Czech Official Development Assistance, in particular development activities that can be designated as peace building (conflict prevention). According Mihálik and Leest (2009) the Czech Republic was transforming its international development
cooperation system. Key changes included the establishment of a centralised management and implementation agency as well as an interdepartmental coordinating body.

Horký and Lightfoot (2012) provided an overview of the emergence of development aid donors in Central and Eastern Europe. They explored the definitions employed to characterize these donors before going on to examine the challenges faced in creating a development policy in these states. Both authors see the development cooperation as an expression of foreign policy interests.

Krylová et al. (2012) assess whether the country has progressed towards being one of those well-established donors that are members of the Development Assistance Committee of the OECD or whether it has chosen a different direction with reference to its transition experience. They also used the Commitment to Development Index to measure the effectiveness of Czech development assistance. The results are interpreted and compared with members of the OECD DAC, for whom the index was computed. Other authors are mentioned in the text below.

Methodology and Research Design

As already mentioned, in the article were used three methods – method of description, method of analysis and comparison. The method of description was used in section which deals with the historical overview of the Czech development cooperation, two other methods have been used in the section of comparison. For the purposes of analysis and comparison data located in statistics OECD and the European Commission materials were used, in both physical and electronic form. In accordance with the thematic focus of the article the time series data was selected from the period of the greatest enlargement in history of European Union (2004) to the latest data (in some cases 2011, in other only 2008). Data selection corresponds to the number of EU Member States (both the original EU 15 and the current EU 27, respectively EU 12). The above data was then transferred to a graphical or tables form and an appropriate comment was made to them.

In order to submit an analysis of development assistance and compare it, it is necessary to know the historical background. For this reason, the first description of a development aid of the Czech Republic at the time of the centrally planned economy will be made and then compared with current development. Based on the analysis of the current situation, the comparison with other Member States (both new and old) will continue by percentage indicators of development aid to GNI. Attention will also be paid to the share of multilateral aid and its analysis. Based on this, selected states will be compared. The comparison of the structure of Czech and European development aid will be the last part of development policy issue, its partial result will also be listed.

History of Czech Development Cooperation

After the World War II Czech development cooperation was based on political direction. The former Czechoslovakia was heavily involved in development assistance even though these cooperation showed unstable development - while in the 50s of the last century it has risen sharply, in the 60s (due to the reform efforts) has been in decline, late 70s it was upswing again, which was the most intense in the 80s.

It is more than clear that the period of centrally planned economy and fighting of the two politically and economically different (groups of) states of the power preponderance, was the development cooperation policy of the subordinate position in the global economy. Soviet Bloc countries directed their assistance solely to the states, which political orientation had tremendous interest.

During this period we could view the current development policy of Czechoslovakia characterized as inefficient. We have to realize that it was all ideology and therefore this assistance was directed

Ingrid Majerová (2013), Journal of Eastern Europe Research in Business & Economics
DOI: 10.5171/2013.265427
to developing countries, which were identified as:

- **Non-European socialist countries** - these countries were Cuba, Mongolia, North Korea, Vietnam, Laos and Cambodia,

- **Countries of priority interest** - there were affiliated Ghana, Guinea, Mali (60s), Afghanistan, Angola, Ethiopia, South Yemen, Mozambique and Nicaragua (80s),

- **The countries of Czechoslovak interests in terms of developing long-term political and economic interests** - to this type there were attributed countries with some elements of the central economy such as Algeria, Benin, Guinea-Bissau, India, Iraq, Iran, Congo, Libya, Mexico, Nigeria, Syria and Venezuela.

The year 1989 marked not only for the former Czechoslovakia for a change of political system and emerging economic transformation but in connection with those events as well as a shift in international development cooperation. The immediate years after the collapse of the socialist system meant a huge drop in the volume of Official Development Assistance (ODA), it was because of two reasons - first the economy was focused on the transformation to a market economy, and it needed the support and second because, it showed highly significant and negative attitude of distrust of the public and politicians for the continuation of ODA policy basis (Kocourek, 2006). Cooperation with developing countries was therefore not on the basis of development, but economic cooperation.

The situation changed in 1995 with joining the OECD and as one of the obligations of Member States there is also helping developing economies, the Czech Republic renewed this form of cooperation even as first of all the transition countries (in 1996) and ranked as a group of the so-called emerging donors. (Kaplan, 2005)

### Czech International Development Policy after 2004

The year 2004 was significant for the Czech Republic not only in terms of acceptance into the European Union but also from the perspective of development cooperation, it ceased to be the recipient of official assistance (for economics in transition) and became its sole donor.

Already at the time of Czech IDP conception for the years 2002-2007 has been designed in two phases: before (first phase) and after entry into the European Union (second phase). Even before its official entry into the government in March 2004 it accepted principles of international development cooperation after joining the EU, which meant a further shift in policy of foreign aid. First, international cooperation was built on a comprehensive medium-term strategy, which should enable all parties the efficient planning of activities and second both have been set (due to the constant criticism of fragmentation ODA) to further reduce the priority recipient economies. In 2007 another resolution was adopted by the government to transform the system of the Czech Republic IDC which prepared the conditions for adoption of new principles of ODA for the period 2010-2017 and it should be the input of the Czech Republic to the OECD Committee DAC (Conditions in details see in Kaplan, 2005, p. 9).

Main part of IDP (to 2010) was established with the cooperation of ten countries - eight priority (Angola, Bosnia and Herzegovina, Yemen, Moldova, Mongolia, Serbia and Montenegro - since 2006 only Serbia - Vietnam and Zambia) and two medium priority countries (Afghanistan and Iraq). Selection of the recipient economies was based on territorial priorities and sector priorities were defined - immigration, industry promotion, education, health, agriculture, environment and sustainable development.
In addition to the priority countries for bilateral cooperation in the field of development cooperation, there is also another group of priority countries in the so-called transformational program of cooperation where the beneficiaries do not meet the condition criteria of democracy and it helps them to achieve. Among recipients include Burma (Myanmar), Belarus, Bosnia and Herzegovina, Georgia, Iraq, Moldova, Cuba and Ukraine (MZV ČR, 2009b). Since 2009 it has started IDP collaboration with the so called non-programming countries, i.e. countries that aren’t priority, but they are initiated new projects (MZV ČR, 2010). These countries are Ethiopia, Georgia, Cambodia, Kosovo and the Palestinian autonomous territories. Other developing countries which are being finalized started projects are among the non-priority countries.

New strategy of the Czech Republic was adopted in 2009 (The Development Cooperation Strategy of the Czech Republic 2010-2017, MZV ČR, 2009a) and the countries are divided into three categories:

- **Programme countries** - Afghanistan, Bosnia and Herzegovina, Ethiopia, Moldova and Mongolia.
- **Project countries** - Georgia, Cambodia, Kosovo, Palestinian Autonomous Area and Serbia.
- **Phasing-out countries** (see Sládková, 2011) – former programme countries Angola, Yemen, Vietnam and Zambia.

New sector priorities were also established, and so environment, agriculture, social development (education, social and health services), economic development (including energy), the promotion of democracy, human rights and social transformation.

ODA of the Czech Republic should be thus the same structure as ODA of other EU member states (and members of the OECD) – the share of these types of cooperation (bilateral - multilateral) is average of 70:30 for members of the DAC, but ratio of most new member is opposite (see next part). Although the Czech Republic after accession to the EU committed itself to increase its share of ODA to GNP, the goals set for the new member countries, 0.17% ODA/GNI by 2010 and 0.33% in 2015, it fails to comply. Equally difficult is the fulfillment of the share of bilateral and multilateral aid - the proportion was 47/53 in 2009 (Sládková, 2011).

Czech Republic meets the so-called model of continuous growth (FoRS, 2008, p. 14-15), which represents a compromise between the model without any real growth (projected decline in the share of 0.09% ODA/GNI in 2010) and the ideal model (compliance with the above criteria). This model assumes an annual increase of the share of 0.01% per annum, which in 2008 also succeeded but from 2009 has according to predictions (see figure 1) not even this option.

**Comparison of the Czech Development Policy with Other EU Member States**

The Czech Republic since its entry into the European Union has been compared with eleven other new member states, the taxpayers and above-average foreign aid, which puts it in fourth place behind Cyprus, Malta and Slovenia as shown in figure 1. From this figure it is clear that the economic development of these countries affected the amount of ODA most - the most progressive development was recorded in case of Lithuania, while records fell in ODA of Malta. The least stable in the field of international development cooperation are Hungary and Poland, while stable development of the Czech Republic was recorded along with Slovenia and Lithuania. It is also obvious that the only state that currently meets the criteria of holding 0.17% of GNI is Cyprus and it seems that remain economies are problematic in approaching to this criteria.
In comparison with the Member States of the DAC the Czech Republic, nor any of the new donor countries (except Cyprus), does not reach the minimum share of contribution of DAC/EU countries - the smallest donor (Italy) average share of ODA/GNI was 0.17 % in 2004-2010 (see Table 1). In 2011 the situation remained the same in some countries, but it changed diametrically in other ones (in Table 1 marked in bold italics).

Table 1: Comparison of EU Member States’ ODA as the Average for 2004-2010 and 2011 (% of GNI)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Sweden</td>
<td>1.01</td>
<td>1.02</td>
<td>15.</td>
<td>Italy</td>
<td>0.17</td>
<td>0.19</td>
</tr>
<tr>
<td>2.</td>
<td>Luxembourg</td>
<td>0.99</td>
<td>0.99</td>
<td>16.</td>
<td>Cyprus</td>
<td>0.17</td>
<td>0.16</td>
</tr>
<tr>
<td>3.</td>
<td>Denmark</td>
<td>0.87</td>
<td>0.86</td>
<td>17.</td>
<td>Malta</td>
<td>0.14</td>
<td>0.25</td>
</tr>
<tr>
<td>4.</td>
<td>Netherlands</td>
<td>0.81</td>
<td>0.78</td>
<td>18.</td>
<td>Slovenia</td>
<td>0.13</td>
<td>0.15</td>
</tr>
<tr>
<td>5.</td>
<td>Ireland</td>
<td>0.55</td>
<td>0.52</td>
<td>19.</td>
<td>Czech Republic</td>
<td>0.12</td>
<td>0.13</td>
</tr>
<tr>
<td>6.</td>
<td>Belgium</td>
<td>0.55</td>
<td>0.53</td>
<td>20.</td>
<td>Poland</td>
<td>0.10</td>
<td>0.08</td>
</tr>
<tr>
<td>7.</td>
<td>United Kingdom</td>
<td>0.50</td>
<td>0.56</td>
<td>21.</td>
<td>Lithuania</td>
<td>0.10</td>
<td>0.13</td>
</tr>
<tr>
<td>8.</td>
<td>Finland</td>
<td>0.50</td>
<td>0.52</td>
<td>22.</td>
<td>Romania</td>
<td>0.10</td>
<td>0.09</td>
</tr>
<tr>
<td>9.</td>
<td>France</td>
<td>0.46</td>
<td>0.46</td>
<td>23.</td>
<td>Slovak Republic</td>
<td>0.09</td>
<td>0.09</td>
</tr>
<tr>
<td>10.</td>
<td>Spain</td>
<td>0.41</td>
<td>0.29</td>
<td>24.</td>
<td>Hungary</td>
<td>0.09</td>
<td>0.11</td>
</tr>
<tr>
<td>11.</td>
<td>Germany</td>
<td>0.36</td>
<td>0.40</td>
<td>25.</td>
<td>Estonia</td>
<td>0.09</td>
<td>0.12</td>
</tr>
<tr>
<td>12.</td>
<td>Austria</td>
<td>0.35</td>
<td>0.27</td>
<td>26.</td>
<td>Latvia</td>
<td>0.07</td>
<td>0.07</td>
</tr>
<tr>
<td>13.</td>
<td>Portugal</td>
<td>0.24</td>
<td>0.29</td>
<td>27.</td>
<td>Bulgaria</td>
<td>0.06</td>
<td>0.09</td>
</tr>
<tr>
<td>14.</td>
<td>Greece</td>
<td>0.18</td>
<td>0.11</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Data for Romania and Bulgaria are available from 2008.

The above comparison, especially connected with efforts of the Czech Republic to be admitted to the DAC, is not overly optimistic. The negative trend also shows the ratio of bilateral and multilateral aid, which is moving in the "old" EU member states in the ratio 70:30 and it’s considered that it should not exceed 60:40. The Czech Republic as one of the four new EU members in 2008 exceeded both the above conditions together with two other traditional multilateral donors Italy and Greece (see figure 2). We can see that some economies have shown an increasing trend - in particular Hungary, Slovak Republic or United Kingdom. It’s closely related to the contributions to the EU budget and the European Development Fund. In the Czech Republic formed in 2008 contributions to the EU almost 90 % of total multilateral aid.

On the other hand, it is necessary to add that the Czech Republic, in comparison with other EU member states in absolute terms of assistance, figures on the leading positions and in many types of assistance it exceeds the EU average. Sectors such as economic infrastructure, production sector, multisectoral support, debt relief and development food assistance show above-average contributions, on the other hand support for NGOs and refugees are lagging, as it's shown in Table 2 (for 2008 last available data).

Table 2: Comparison of the Absolute Amount of the Contributions of the Czech Republic and the EU Average between 2004 and 2008 (In Millions of EUR)

<table>
<thead>
<tr>
<th>Type of assistance</th>
<th>2004</th>
<th>EU</th>
<th>2008</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic infrastructure and services</td>
<td>240</td>
<td>123</td>
<td>361</td>
<td>139</td>
</tr>
<tr>
<td>Social infrastructure</td>
<td>513</td>
<td>625</td>
<td>1,574</td>
<td>667</td>
</tr>
<tr>
<td>Production sector</td>
<td>110</td>
<td>49</td>
<td>182</td>
<td>117</td>
</tr>
<tr>
<td>Multisectoral assistance</td>
<td>114</td>
<td>95</td>
<td>241</td>
<td>201</td>
</tr>
<tr>
<td>Commodity Aid</td>
<td>11</td>
<td>91</td>
<td>73</td>
<td>107</td>
</tr>
<tr>
<td>Action relating to Debts</td>
<td>257</td>
<td>22</td>
<td>461</td>
<td>2</td>
</tr>
<tr>
<td>Humanitarian aid</td>
<td>69</td>
<td>172</td>
<td>289</td>
<td>254</td>
</tr>
<tr>
<td>Support to NGOs</td>
<td>8</td>
<td>117</td>
<td>12</td>
<td>194</td>
</tr>
<tr>
<td>Refugees in Donor Countries</td>
<td>18</td>
<td>149</td>
<td>27</td>
<td>261</td>
</tr>
<tr>
<td>Unallocated/Unspecified</td>
<td>70</td>
<td>171</td>
<td>272</td>
<td>91</td>
</tr>
</tbody>
</table>

Discussion

With the reduction in the recipients of first twelve and fourteen economies nowadays, especially the African and Latin American countries, only four belong to the group of LDCs. Another four - Burkina Faso, Ethiopia, Mali and Namibia - have been scrapped and the share of LDC economies on the overall bilateral assistance fell in 2004-2006 to an average of 11.9% (Němečková et al., 2006) and stays on the level to these days.

While in 2008, ODA recorded the largest growth, 10.2% (OECD, 2009a), in 2009 fell by 2.1 % (Alpízar, 2010). In 2010 development assistance grew in absolute terms but nearly half of the Member States of the DAC/EU has reduced the volume of development cooperation citing the impact of financial crisis and also showed similar results with non-DAC states (¾ of EU-12). The decline in absolute amount didn't show in the case of the Czech Republic any change in the share of ODA/GNI, Slovakia, however, experienced a drop in both
parameters (and thus get to the level of Poland) and Hungary only two indicators increased (and thus received from Slovakia and Poland).

From 1 July 2010 entered into force on the "Law on international development and humanitarian assistance to foreign countries" (Law No. 151/2010 Coll.), which completes the process of transformation and development cooperation: it should be the basis for the Czech Republic's accession to the DAC/OECD. Despite this transition process, which is based on the establishment of the institutional functioning of development cooperation to reduce fragmentation, increase efficiency of cooperation and share of GNI, ODA is subjected to criticism not only from the OECD, but also NGOs in particular because of low efficiency and promotion of national (security, economic and political) interests of the necessity criterion. The total volume of Czech aid is still inadequate because the government does not represent any major budgetary priority. (Machálková, 2009)

Donor countries, including the Czech Republic, are of course aware of the need to improve the quality, effectiveness and contribution to development aid recipient economies, especially since in recent years in many economies of donor capacity development cooperation is stagnant or slightly increasing. Big question in this context remains the so-called tied aid, which is linked to non-supply of donor countries and is often criticized because of advancing its own interests economies (on the other hand, why not combine assistance with the growth of the domestic economy operating on the principle of "if I develop myself, I can give you more resources to develop yourself"). Another problem remains a "phantom aid", i.e. assistance not actually available to developing countries to fight poverty (in 2006 was estimated at almost 37 billion U.S.$). (Shah, 2010) However development assistance, whether many seem it inefficient, plays an important role in the recipient economies and sometimes leading to their passive approach to aid or weakening of competition and destruction of local businesses.

**Conclusion**

Czech history of international development policy began with decolonization process but in that time was more influenced by political interests than need of developing countries. Countries that belonged to supported economies had to have strictly oriented socialist regimes and those that did it not were excluded from the list. After 1989, the Czech IDP underwent a radical change, but it is interesting to note that the political orientation still prevails. This is illustrated by the economies that are of interest of this assistance and to which belong Afghanistan, Ethiopia, Mongolia, Cambodia, Vietnam and Yemen. Significant thing is that this aid does not distract among many dozens of states (neglecting the question of the need for such assistance in developing economies).

The aim of this paper was to determine whether the Czech Republic and other new EU member states progressively develop its development policy in line with the objectives set by the EU – 0.17% ODA/GNI by 2010 and 0.33% in 2015. The Czech Republic, nor any of the new donor countries (except Cyprus), does not reach the minimum share of contribution of DAC/EU countries. Equally difficult is the fulfillment of the share of bilateral and multilateral aid - the proportion should be 70:30 (60:40 respectively), but most new donors (including the Czech Republic) is failing to meet this target.

Situation in absolute terms of assistance is different in the Czech Republic (comparison with EU-average). The Czech Republic figures on the leading positions and in many types of assistance it exceeds the EU average. Sectors such as economic infrastructure, production sector, multisectoral support, debt relief and development food assistance show above-average contributions, on the other hand support for NGOs and refugees are lagging.
Czech development policy went a long way from its beginning, however, just a great deal is now before it. Similar to other states of the European Union (with few exceptions) the Czech Republic does not meet the targets of percentage share on the GNI or the amount of bilateral aid, and it seems that even in the future will not be a significant improvement in this area.

References


