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## Difficult Times for Development Aid:

### AidWatch 2009 Report illuminates the persistence of development cooperation challenges in EU New Member States

A TRIALOG paper on basis of the CONCORD AidWatch Report 2009 “Lighten the load”, available at:

[http://www.concordeurope.org/Files/media/internetdocumentsENG/3\\_Topics/Topics/Aidwatch/AidWatch-report-2009\\_light.pdf](http://www.concordeurope.org/Files/media/internetdocumentsENG/3_Topics/Topics/Aidwatch/AidWatch-report-2009_light.pdf)

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The purpose of this paper is to discuss the status of aid flow and quality from EU New Member States (NMS) based on the findings of the 2009 AidWatch report. Selected country-specific examples will be drawn from the report that best demonstrate the issues at hand in the scheme of NMS Official Development Aid (ODA).

#### **Introduction**

Since their entry into the EU in 2004 and 2007, the New Member States of the EU have made commitments to increasing and improving their aid to developing nations. However, the NMS are doing this in the context of their own development from impoverished backgrounds and the responsibilities of becoming donor countries have required a great deal of adjustment. The mechanisms for implementing the ODA pledges are lacking from the NMS in many ways, and although progress has been made, the financial crisis of 2008-2009 has caused even more setbacks for these goals. Despite these hurdles, the obligation to fulfill their promises remains vital, especially during this time of recession when the world's developing countries are in dire need of assistance to cope with a crisis they played no part in creating.

#### **Aid Quantity**

The New Member States have all consented to achieving an ODA goal of 0.17 percent of their GNI by 2010 and a 2015 goal of 0.33 percent. These aid targets are well below those of the Old Member States (0.51 for 2010 and .70 for 2015) but do reflect the necessary considerations of the New Member States' situation. Yet as the deadline of 2010 grows dauntingly near and 2015 appears on the horizon, it is becoming evident that the vast majority of the NMS will not make even their modest ODA pledges by these times.

In 2007, EU governments agreed in the European Council to introduce timetables that outlined ODA level increases to meet their countries' aid targets. This was done upon the urging of the European Commission for EU members to pursue more aid flow predictability. As of 2008, only 3 out of the 12 NMS—Cyprus, Estonia, and Slovenia—have established timetables. Poland was posited to have had a timetable in last year's Aid Watch report, but the 2009 report makes no mention of it whatsoever.

In addition to the lack of planning for ODA, most of the NMS will not make the 0.17% goal for 2010 without inflating their aid. Between 2007 and 2008, a noticeably negative shift occurred with the ability to NMS to meet their ODA commitments. Figure 1 below demonstrates the scale of this change:

Likelihood of Reaching 2010 Target	2008 AidWatch Report (On Year 2007)	2009 AidWatch Report (On Year 2008)
Yes	0	0
Likely	1	2
Unlikely	8	4
<b>No</b>	<b>3</b>	<b>6</b>

Figure 1: Likelihood of NMS reaching 2010 ODA Target of 0.17% without inflating aid.

As can be seen from the table, the number of NMS that are predicted not to be able to meet their goal at all doubled from 2007 to 2008. Old Member States have shown a similar trend with 6 states receiving judgments of "No" and 4 having "Unlikely," which translates into two-thirds of established European Union members probably not meeting their 2010 aid goals.

The economic crisis has undoubtedly constricted ODA flows, and unfortunately EU governments have been far more enthusiastic in rescuing their financial institutions than in providing aid to the world's Least Developed Countries.

Furthermore, NMS have proven to be even more disposed to actively abandoning development aid than their OMS counterparts. An alarming 8 out of the 12 NMS have either dropped their ODA levels or kept them the same from 2007-2008, compared to only 2 out of the 15 OMS. The absence of proper mechanisms for the maintaining of ODA quantity in the NMS has become readily visible during the crises, as the stresses put on NMS economies in 2008 has caused a huge buckling of ODA.

*Edited to add: As more budgetary information is released, these figures may change.*

### **Aid Quality**

Along with the deteriorating aid flows, aid quality has remained under par and unrecognized by NMS governments: the institutions responsible for coordinating ODA do not have unified strategies on their respective country's aid programs, some governments not have strategies in place at all, and all of them suffer from forms of low capacity for ODA planning and execution. This is compounded by the lack of cooperation between the government and members of civil society who could benefit the aid process. Gender equality is still missing from being part of NMS ODA programs, even though many governments have mentioned gender issues in their strategies.

The vacuum of transparency creates problematic effects here as well. Governmental ODA practices are distinctly opaque, causing difficulties with obtaining each country's aid flow and quality statistics. It is known that many NMS governments approach ODA as a political or diplomatic tool and give aid to recipients who provide the greatest return in these terms, rather than contributing aid to countries that need it the most.

In essence, NMS have not created the necessary organizational foundation to embark on sustainable and high-quality ODA endeavors yet. While OMS have cooperation difficulties, they are dealing with them through a system that is structured; the NMS are struggling at this moment to establish the structural support that OMS have had for quite some time. The economic crisis threatens to further undermine the weak quality of NMS ODA, a change that is getting harder to bear at a time when effective aid without inflation is strongly needed by poverty-stricken LDCs.

### **Common Challenges for NMS aid**

The remainder of the paper will be focused on elaborating on the specific issues that are confronting NMS, using country examples to illustrate each situation. Although much of the 2009 AidWatch report has come to conclusions similar to those outlined by the previous year's paper, any changes from 2007 to 2008 will be discussed where relevant with an emphasis on the effects of the financial crisis. The status of OMS with each topic will be covered for the sake of comparison as well.

## **Institutional incapacity**

The institutional framework needed to conduct substantive progress on ODA quantity and quality still has yet to develop in many NMS.

- In **Poland**, a lack of attention to development cooperation on the part of the government has rendered many aspects of Polish aid unpredictable and inefficient. An act creating a legal framework for development assistance has been in preparation since 2004 but has not been implemented.
- In **Romania**, a total absence of aid strategy and policy is just one of its many institutional shortcomings. Since the financial crisis, the limited capacity that exists for development assistance is in danger of completely falling apart. Economic stresses with Romania have led the government to cut the ODA budget over 60 percent and halve its staff in 2009.
- In **Bulgaria**, the government has not solidified an aid strategy and governmental support for NGOs is virtually nonexistent. Despite the fact that at expert level there is understanding – and especially in the MFA – about the importance of the participation of NGOs there is no legal framework for ODA activities. The lack of legal framework reflects also to the structural development of official institutions and to the volume of ODA. Most of the Bulgarian aid is allocated through multilateral mechanisms but far from the ODA targets.

Unlike OMS whose ODA has been managed by well-established bureaucracies, NMS ODA is handled in generally an ad hoc manner by fledgling proto-structures. Because there are few lasting governmental instruments in place to guide NMS-based ODA, their development assistance has been very shock-prone and sporadic. The recent downturn of 2008-2009 demonstrates this fragility; whereas 13 out of the 15 OMS were able to raise ODA from 2007-2008, only 4 out of the 12 NMS raised their levels. It could be argued that the OMS institutions' structural solidarity has permitted them to pursue ODA funding at this time, while the undernourished NMS institutions have not had the strength to guide ODA through the crisis' obstacles.

## **Lack of emphasis on poverty reduction**

Many NMS have fallen into the pattern of allocating their ODA on political and/or economic grounds.

- In **Malta**, ODA is politicized greatly. Aid flows are concentrated on Horn of Africa countries and Palestine. The horn of Africa is where the majority of Malta's immigrants come from.
- In **Lithuania**, the ODA centers on nearby former USSR nations and Afghanistan. The Lithuanian government devotes a proportion of its aid to the NATO mission in Afghanistan.
- In the **Slovak Republic** and **Czech Republic**, aid flows often reflect the interests of the countries. Both are main ODA partners with Serbia, with which they have historical and regional ties.

The idea of ODA as a tool for the development of the globe's most disadvantaged citizens towards the goal of poverty eradication has not settled into the agendas of NMS institutions. Instead, they are moving in the direction of what some OMS have done with their aid, namely towards what could be called patrimonial aid. France and Portugal demonstrate these qualities with their ODA through continuing their focus on former colonies. With the NMS, the risk of adopting the OMS habit of geographic favoritism increases the longer political and economic incentives push ODA policy instead of genuine development concerns.

## **Aid inflation**

The problem of counting non-aid such as student costs, debt cancellation, and refugee costs as part of ODA in the EU grows larger as some NMS begin to see it as an easy alternative to providing actual aid.

- In the **Czech Republic**, the Ministry of Interior reports funds spent on immigrant reception centers, police, and security related missions in ODA statistics. Inflated aid counted for about 14 percent of ODA for 2008.
- In **Malta**, poor-quality immigrant detention centers are regarded as part of ODA along with government money allotted to immigrants for “voluntary repatriation”.
- In the **Slovak Republic**, AidWatch’s 2008 report suggested that the country’s large inflated aid level of 29 percent would slowly decrease. Instead, it went the other way and increased to over 31 percent in 2008.

Fortunately, not all NMS have such high percentages of inflated aid; in many cases, the OMS have the NMS outmatched when it comes to practicing inflated aid, with Germany having over 26 percent of its ODA inflated and Austria at double that with 52 percent of its ODA inflated. Nevertheless, switching to inflated aid as a way to meet EU ODA quotas could seem more attractive to NMS especially during the global recession. Inflated aid continues to be a seductive yet ultimately ineffective alternative to real development activities through legitimate ODA.

### **Transparency**

NMS governments do not disclose information about ODA activities or amounts in an accessible manner and often the ODA practices of a New Member State remain frustrating mysteries to interested groups.

- In **Bulgaria**, policy-making and aid flow information are out of grasp for citizens. The amount of information that becomes disclosed is very minimal and usually of little relevance to Bulgaria’s partner countries or people.
- In **Slovenia**, there is almost no information on aid quality and the levels of information on development cooperation are low. Questionnaires given to Slovenian NGOs on Slovenian aid transparency have rated the country as “Very Poor”: one of the worst transparency levels in the EU.
- In **Hungary**, progress has been made on disclosing information on aid flows but it will take some time before the government’s plan for upgrading ODA data collection capacity will occur. Also, Hungary refuses to release information on its tied aid as it is considered to be a “business secret” by the government.

A consistent problem with transparency in NMS is the enormous lack of institution-released information that is translated. Partner states to NMS are invested in knowing how much ODA their country has been given and in what ways, so the translating of documents to the main languages used in partner states should be transparency priority for NMS.

However, countries like Estonia and Cyprus have received favorable transparency scores and are signs of a growing trend in transparency improvement in the NMS.

### **Perceived insignificance of development cooperation**

Over the last few years, NMS have started to produce development cooperation strategies that incorporate NGOs and the public. However, the positive changes of some NMS cannot overshadow the deficiencies remaining in others.

- In **Romania**, NGOs are concerned that the country’s entire development cooperation policy is danger of disappearing. The government offers meager financial support to non-state actors and has initiated massive cuts in the Ministry of Foreign Affairs.
- In **Poland**, there is a distinct absence of NGO and public involvement with the government’s aid policy. Also, an overall strategy for development cooperation has yet to be made.
- In **Lithuania**, some progressive trends have been occurring. The government is trying to integrate more ownership with its development cooperation and is involved with NGOs from partner countries. National NGOs are also partaking in consultations with the government on development cooperation.

As can be seen with Lithuania, the status of development cooperation in a few NMS has improved since last year. Yet unified development cooperation policies that involve non-state

actors remain to be constructed in many NMS, and the citizens of such countries along with NMS aid recipients are mostly uninformed and unaware of development cooperation. This lack of public knowledge has the potential to further accentuate some governments' absence of political will in furthering development cooperation. Because of this, the building of public awareness and the greater inclusion of NGOs are still important goals to be tackled for the progress of NMS development cooperation.

#### **Gender issues still not priorities:**

Although a large amount of NMS mention gender in their development aid policies, their commitment to alleviating gender inequality doesn't extend far past their politicians' speeches and write-ups. Gender may be the most fragmented issue in NMS development cooperation.

- In **Slovenia**, gender equality is featured in the Resolution on Development Cooperation as a central part of ODA, yet national NGOs speculate that only 0.1 percent of the aid budget is spent on women's empowerment projects. There are also no indicators to measure the impact of these projects.
- In **Hungary**, the government held a 2008 conference on development aid that highlighted gender issues. However, they still have not created a gender strategy and will probably lose focus on making one as cuts to aid projects continue to increase.
- In **Cyprus**, NGOs believe that the government will improve its focus and funding for gender in the coming years. Predictions put aside, the Cypriot government has yet to even create a gender strategy and does not earmark any funds for women's empowerment. Both of these are problems left over from 2008.

The absence of gender-related development cooperation in almost all of the NMS is distressing, and this void will only grow as many of the governments decrease funding to their ODA institutions and NGOs. OMS have had gender incorporated into their development plans since being part of the 1979 UN CEDAW; like with other areas of attention. OMS have an organizational advantage over NMS in implementing gender initiatives. It will take much more effort and willpower on the part of NMS to give their gender equality policies substantive results.

#### **Conclusion**

The EU's New Member States will overwhelmingly miss the mark on their ODA quantity goals for 2010. With only two NMS reported by AidWatch to have semi-agreeable "Likely to make target" ratings, it can be said that the 0.17 ODA target is just too far beyond the current capabilities and governmental leadership of the EU's newest members.

Considering the histories of these countries, these results are regrettable but understandable. Yet even with the presence of the global economic crisis and these countries' disadvantaged pasts, the NMS governments ultimately are to blame for being unable to live up to the commitments they signed themselves up for.

Although most of the NMS will not be able to make the 2010 deadline, they are still obligated to make new deadlines for improving their ODA quantity. In line with this, NMS have many quality issues that need to be dealt with accordingly, including their institutional incapacity, a lack of focus on poverty reduction, aid inflation, transparency woes, perceived insignificance of development cooperation, and the low prioritizing of gender issues. Some NMS have displayed improvement with a few of these concerns since 2008, but the rest of the states remain far behind OMS in multiple categories.

The sooner these problems are corrected, the better the chance NMS can take a future lead as donor countries without the aid quantity and quality entanglements that have embedded themselves in OMS. Moreover, out of any time in recent history development aid should be increasing to offset the worst effects of the financial crisis. Instead, it is looking more and more likely that the majority of EU members—both new and old—will not be able to provide aid in the moment that it is needed the most.